

**Republic of Moldova**

**Center for Strategic Studies and Reforms  
(UNDP/WB Project “Strategy for Development”)**

**Impediments to Development  
of Private Farming Enterprises  
and Related Small  
Rural Business  
in the Republic of Moldova**

**Findings of the study**

**Chişinău, August-September, 1999**

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## INTRODUCTION

Opinion poll on the “Impediments to Development of Private Farming and the Related Small Rural Business” was carried out by the non-governmental organizations – Center for Strategic Studies and Reforms (Moldova) and CARANA Corporation (USA).

**The objectives** of this survey were to reveal bottlenecks of development of the private rural economy, to improve its legal foundations as well as the regulatory instruments and management of private agriculture in Moldova. One of the aims of the poll was to reveal the key determinants for the exit of the Moldovan agriculture out of crisis, as well as the importance of the individual impediments in the whole complex of bottlenecks to development of agriculture.

With this aim, social characteristics of seven impediments have been examined: (i) legislative and regulatory, (ii) administrative, (iii) production, (iv) market development, (v) control, (vi) financial, and (vii) of information nature. The following problem has systematically appeared in the course of the study of all these problems – the insufficiency of information on the nature and the tendency of changes in the impediments that hamper development of rural business and private farming in Moldova.

**The object of the study** (groups of respondents). The study covers rural business sector comprised of private farming enterprises and small businesses serving them. The first group of interviewed individuals are two types of private farmers: (i) those who left the collective farms prior to the “Land” Project (in the poll they are called “peasant farmers” or “private farmers”). They are characterized by owning an individual farm; there can be more than one owner, but as a rule the co-owners are close relatives – spouses and children. In other words, the subject of the study is the family form of ownership and business; (ii) private farmers who have emerged in the first wave of the 72 farms restructured under the “Land” Project. Upon mutual agreements they do business jointly with a group of other individual farmers. Having their own plot of land, they can lease land from other individual owners. For the purpose of our study they are called “farmer-leaders”, the name given to them in the “Land Project” .

The third group of interviewed individuals was comprised of owners of small enterprises providing services related to delivery, product distribution, technical, agrochemical and other types of agri-services.

Finally, the fourth group was comprised of mayors and counsellors of the local councils of communities and villages. They were interviewed in order to determine the impact exerted by organs of local administration on agricultural business.

**Methodology of the study.** The study covered businessmen and farmers of three regions of the country – Northern, Central and Southern. The following judetses (districts) were selected in these regions: Edinets and Soroca judetses in the North, Ungheni, Chisinau, Orhei and Lapushna in the Center, and Cahul and Tighina in the South. The poll was carried out in 123 settlements. The number of respondents is consistent with the share of geographical zones in the total population of Moldova. The scheme of the poll in judetses and villages is attached.

**Selection of respondents.** The poll has covered 530 respondents. It was performed by interviewers selected by CISR jointly with the staff of the regional agencies of the “Land” Project. The participation in the poll was absolutely free and the language of questionnaire and reply was chosen by the respondent.

Also the field survey was arranged and carried out with the aim to reveal impediments to rural private business development. Opinions and evaluations of respondents were obtained in the course of an interview carried out in accordance with three types of questionnaires:

- for peasant farmers and farmer-leaders –a general one;
- for rural entrepreneurs;
- for mayors and counsellors of commune and village councils.

Impediments of social nature have been studied with the help of questions and responses to them. Besides closed questions, the questionnaires contained a large number of open questions. They helped to obtain a more comprehensive picture of the issues under consideration. The content of the questionnaire, its reliability and the level of its understanding by respondents was tested, prior to the main poll, in a pilot one (carried out in villages of Telesheu, Orhei judets and Budeshti, Chisinau judets). Based on the results of the pilot poll, adjustments were introduced in the initial version of the questionnaire.

**Measuring procedures** used in the study were the following:

(i) calculation of percentages of responses and (ii) calculation of the respective indices. The use of one consolidated indicator of opinions and evaluations allows to present our statistical results in a more compact way. Indices interpretations are as follows: +1.00 (maximum positive score of satisfaction, frequency, etc.), 0.00 – neutral (equal number of positive and negative responses) and –1.00 is the highest negative score. The closer the index is to +1, the more positive the indicator is, and *vice versa*, the closer it is to –1, the more negative the indicator is. The formula used for indicator calculation is as follows:

$$I = a - c / a + b + c,$$

where *a* – is the number of positive responses, *b* – of the neutral and *c* – of the negative ones.

The study is of a diagnostic nature with explorative factors, *i.e.* the aim of the study was not only the evaluation of known social indicators of the problem under consideration, but also the search for new indicators, for which open questions have been used.

**Interviewers.** Interviews were carried out by specially selected and trained 40 interviewers. Requirements to their age and education was meant to ensure non-biased results of the poll. A random check of questionnaire filling quality was carried out.

**Processing of empirical materials.** Processing was based on standard SPSS program. Certain problems arouse with coding of open questions. Current legislative awareness of respondents has had a regular impact on the form of replies to open questions. Legislative topic was primarily approached by respondents and interviewers in relation to the specific object a given piece of legislation related to. Hence, the law in question is reflected in the response only indirectly.

**The working group** that carried the poll was comprised of: *A. Gudym, S. Helmstadter, V. Tsurcan, V. Myndru, L. Caraschuc, L. Mocreac, A. Pripa, A. Bucatca, G. Muntean, A. Munteanu, S. Profir and P. Popescu.*

In line with the opinion poll, CISR assessed the legal foundations for the development of private farming and small agricultural businesses (*A. Bogos*), as well as the overall results of the agrarian reform under implementation (*S. Chertan*). This contributed to a more comprehensive understanding of the processes that are presently taking place in the key sector of the national economy of the Republic of Moldova.

**The poll was carried out with the financial support of USAID/“Land” Project/Center for Private Business Reform.**

# 1. General evaluation of projected and actual impediments of farmers and rural entrepreneurs

## 1.1 Evaluation of projected difficulties

Evaluation of projected difficulties is an important step in the course of studying how well farmers and entrepreneurs are ready to interrelate with their milieu, such as regulations, financial possibilities of their own and of the state, banks' and others. The subject forms the image of projected impediments that might be met in the course of achieving his/her aim under the influence of the environment and is aimed at the main aim achieving.

The image of projected difficulties precedes the action and reflects both life experience and objective opportunities. In the course of the last decade of years both of them changed dramatically. Especially the external environment, *i.e.* financial opportunities, prices, market, etc.

Comparative analysis of images of projected difficulties in three groups of respondents makes it possible to name both common and specific moments in their content and selection.

### *Entrepreneurs*

Expected difficulties	Frequency	%	Rate
Financial	164	49.1	1
Technical	69	20.6	2
Market	51	15.3	3
Legislative and regulatory	44	13.1	4
Political	6	1.9	5
Total	334	100.0	

Distribution of projected difficulties in the evaluation of entrepreneurs reflects obvious apprehension to face the problem of lack of money (49.1 %). The second rank the expected problems related to purchase of equipment, machinery, etc. (20.6%). Market difficulties is something new for our producer, but their evaluation ranks below the previous two. 15.3% of respondents are concerned about future sale of their products, market instability and about low prices for agricultural products. The "leading" group of projected difficulties is closed by difficulties of legislative and regulatory character (13.1%). This group includes instructions regulating relations between economic entities and tax authorities, bureaucracy, corruption, lack of mechanism of producers protection, etc. It is also possible to mark out concern about "frequent changes of legislation" (3.6 %) and others.

### *Farmer-leaders*

Expected difficulties	Frequency	%	Rate
Technical (provision of fuel, fertilizers; energy, means of transportation and etc.).	37	39.3	1
Legislative and regulatory (stability of legislation, procedures, agricultural sector protection)	32	33.4	2
Financial (payment of taxes, debts, fees; reduction of taxes, credits)	14	14.8	4
Market (competition, instability of prices, and etc.)	12	12.5	3
Total	95	100.0	

“Leading group” of farmer-leaders consists of two impediments – technical and legislative- regulatory. These two are the most “expected” impediments by leaders. At the same time concern about impediments of technical character is estimated a little higher than of legislative and regulatory character (39.3 % and 33.4 % respectively).

It is absolutely obvious that different types of activity of both groups is the reason for evident differences in the sphere of expected impediments.

For an entrepreneur the most important is money and finances. Entrepreneur is an intermediary who starts and completes his activity by purchase. The object of work of a farmer is different - land. He has it already. It is typical, that nobody is concerned about not having land. The problem is how to process it. And this quite another matter - of machinery, equipment, energy supply, fertilizers, etc. 39.3 % of farmer-leaders expressed their concern about equipment availability. In comparison with entrepreneurs farmer-leaders are more concerned about stability of laws and protection of agricultural sector (33.4 % versus 13.1%).

Market caused less concerns at the stage of impediments projection. Its share is almost the same in both groups. Probably due to their novelty market problems were not entirely comprehended. Awareness of these problems will come later. The weight of the problem is more noticeable, though its rate related to other concerns will remain practically the same.

## **1.2 Interrelation between projected and actual difficulties**

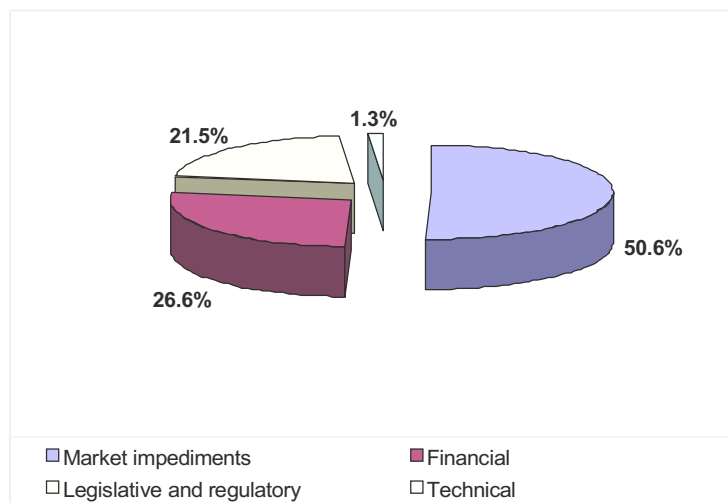
We are interested only in one aspect of comparison between projected and actual image of difficulties, that is how much they coincide. Level of coincidence testifies to higher or lower preciseness of the projection and shows whether it is excessive or insufficient.

Responses show that on the whole concerns of both entrepreneurs and farmers are not in vain. Thus, concerns of 73.1% of all respondents came true, and concerns of only 18.1% did not.

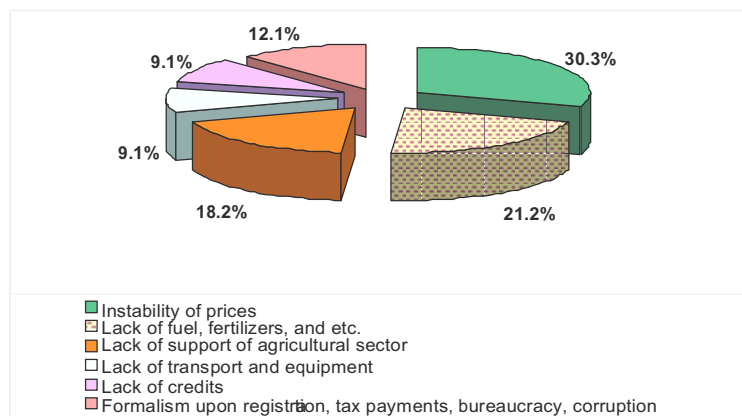
Forecasts of Peasant farmers were more realistic (78.1%). They are followed by entrepreneurs (70.1 %). The group is closed by farmer-leaders. Projected image of future difficulties of leaders coincided with reality by 65.6 %. This could happen for one of two reasons, either projection was too pessimistic, or they were assisted in the course of project implementation. In this case the share of projection and reality coincidence will be lower. Taking into consideration participation of this group of farmers in “Land” project we can assume that it was the second reason.

*What difficulties have actually come true?*

**Entrepreneurs.** The following concerns have come true:



**Farmer-leaders**



### 1.3 Evaluation of impediments to private farming enterprises and rural business

Comparative analysis of projected and actual impediments to development of private farming and agricultural enterprises demonstrates certain gap between them. But this information is obviously insufficient for taking organizational measures aimed at impairing negative impact of actual impediments, since the scale of each impediment remains unknown.

Further analysis of actual impediments is carried out in two directions.

First, we shall provide a comparative analysis of the whole group of impediments. Such procedure of their presentation makes it possible to have better picture of each impediment in comparison with the others. For more clear comparative results, procedure of comparison will be carried out on the basis of indexes (see Introduction).

The next aspect of analysis will be a continuous analysis of impediments separately of each other.



Comparative analysis of actual impediments have been commenced from drawing up an “evaluation chart” of each element in the whole sample and for each group of respondents separately.

#### Chart of evaluation indexes of seven impediments

	Total sample		Social groups					
	Index	Rank	Entrepreneurs		Farmer-leaders		Peasant farmers	
			Index	Rank	Index	Rank	Index	
Administrative	-0.49	1	-0.58		-0.29		-0.46	
Technical	-0.42	2	-0.13		-0.28		-0.72	
Legislative	-0.41	3	-0.51		-0.39		-0.32	
Financial	-0.38	4	-0.31	-3	-0.47		-0.42	
Control	-0.35	5	-0.46		-0.45		-0.02	
Information	-0.34	6	-0.35		-0.09		-0.39	
Market	-0.31	7	-0.20		-0.41		-0.39	-5
								-5

Entrepreneurs and farmers refer all seven elements of production sphere to impediments of rural business activity development. Evaluation index of all elements is in the negative field within the range from  $-0.31$  to  $-0.49$ . Though the situation is not disastrous, we can see domination of negative evaluation of the situation.

Two issues attract attention. The first one is that among three “leaders” of negative evaluations we can see two elements referring to regulatory aspects of support of entrepreneurs and farmers activity. These are administrative and legislative impediments. Their evaluation index is  $-0.49$  and  $-0.41$ . Administrative impediments rank first (71.2%) among all the respondents. At the same time it is obvious, that no substantial financial resources are needed to impair the negative impact of regulatory and legislative impediments. It is only necessary to improve the system of administrative and legislative regulation.

The second issue that attracted our attention was the fact that reduction of negative impact of only one of three elements requires substantial financial investment. It is technical impediment. 70.6% of all respondents face problems related to lack of machinery and equipment.

Differences in the types of activity, *i.e.* agricultural production (farmers) and provision of services (entrepreneurs) on the one hand, and differences in business organization (farmer-leaders and Peasant farmers) on the other hand brings serious difference of elements with regard to each particular impediment. For instance, administrative impediments rank first in the responses of entrepreneurs and their index is  $-0.58$ . This figure

is higher than the average one in the whole sample of responses. The same impediment ranks second in the responses of Peasant farmers - 0.46. Relatively higher support (32.8 %) administration provides to farmer -leaders (in comparison with other groups) , which ranks fifth, index - 0.29, entrepreneurs - 16.4 % and Peasant farmers - 24.8%.

Farmers find themselves “closer” to the Mayor’s offices, that is why this indicator is higher. It is remarkable that a farmer -leader has more chances (by 8%) to get assistance from administration than an Peasant farmer.

Leaders are better equipped in comparison with peasant farmers: index of - 0.28 versus - 0.72. 36.1 % of farmer -leaders believe that they have enough equipment, whereas among peasant farmers only 13.6% think so.

On the other hand, the share of excessive control of farmer -leaders is much higher than of Peasant farmers. Indexes amount to -0.45 and -0.02 respectively. Thus, the share of excessive control of the first group amounts to 72.6 %, and of the second one to 49.3 %. It is still high, but nevertheless twice as low. Farmer -leaders suffer from excessive control almost in the same way as entrepreneurs! This fact has been stated by 72.6% of farmer -leaders and 72.2% of entrepreneurs.

Entrepreneurs are less concerned about market impediments than farmers: -0.20 and - 0.41 and -0.39 (farmer -leaders and peasant farmers). The latter face almost the same problems with the market - both are not doing well. However, life of the leader is still a little more problematic.

As it was expected, everyone is concerned about financial impediments. However, we can see differences there as well. 64.7 % of entrepreneurs and 70.6% of peasant farmers are concerned about them. But farmer -leaders are concerned about overcoming financial difficulties most of all (73.8%).

Overcoming of information impediments ranks 7th among all other problems, index is - 0.09 (47.5 %). Information impediments faced by entrepreneurs and Peasant farmers expressed in percentage form is higher - 59.7 % and 65.4 %.

In conclusion of this part we can say that together with the demand “More money and credits!” other demands should be also put forward, such as “Better functioning!” “Better legislation!” and finally, “Proper control!”.

## **2. Evaluation of current legislation**

Among the main components of the system of factors impeding to development of rural business and private farming enterprises is the current legislation. The priority of this factor is well justified. It is known, that legislation has both direct impact on development of rural business and private farming enterprises as well as indirect one through other factors of milieu. The law itself may impede the activity of a farmer and an entrepreneur. But what can also happen is that legislation can limit activity and opportunity of other factors to manifest its positive sides.

## 2.1 Legislation: assisting or impeding?

*Do you believe that current legislation of Moldova impedes or facilitates your activity?*

	Absolute figure	%	Rank	Index
1. mostly impedes	213	44.7		
2. mostly facilitates	18	3.8		
3. has no impact	136	28.6		
4. difficult to say	107	22.5		
5. no response	2	0.4		
Total	476	100		0.41

In the opinion of respondents, current legislation mainly impedes their work rather than facilitates it, respectively 44.7% and 3.8%. Major part of respondents (28.6%) evaluated legislation as the one that has no impact, which can also be considered as negative indicator, for, lack of positive impact means failure to perform the functions designated to it.

Gap in evaluation fluctuations shows the contrast of the respondents' positions.

Evaluation index as integral indicator places current legislation into negative zone: - 0.41. Part of respondents (22.5%) failed to determine their attitude towards current legislation.

**Entrepreneurs.** This group of respondents is more categorical and much more critical in negative evaluation of current legislation (53.7%). This is by 9.0% higher than average indicator in the whole group and by 17.3% higher than in the group of peasant farmers.

Evaluation index of current legislation equals to -0.51, i.e. by ten points lower than an average response in the group. That is, rural entrepreneurs are the most categorical in negative evaluation of current legislation of the Republic of Moldova.

**Farmer-leaders.** Negative evaluations of this group of respondents are at the level of average indicator of the whole sample (44.3%). Positive evaluation is higher than average (4.9%), which is a little higher than in the first group. However, the attitude of this group towards current legislation is still opposite, which is proved by its evaluation index of - 0.39.

**Peasant farmers.** The difference in negative evaluation of current legislation and the average indicator in the whole group (8.3 %) shows, that peasant farmers are less categorical than entrepreneurs and leaders. However, the difference is not big. And confirmation of that is their evaluation index of - 0.32.

Thus, though to different extent, all three groups evaluate current legislation as the one which rather impedes than facilitates their activity. In any case, it is obvious that firstly, the law does not perform its regulatory function with regard to rural business activity. And secondly, in this situation one cannot expect that rural business will be able to change significantly the situation with its problems solution.

Legislation is not the only reason for this. In the long run, its evaluation is the task of specialists. The matter is that lack of confidence to legislation, whether it is caused by lack of knowledge or by actual flaws, makes it inefficient. In this case, those who the law is written for would prefer to avoid the law and to pass to the level of illegal relations. The situation takes an undesirable turn.

## 2.2 Reasons for negative attitude towards current legislation

*If you believe that legislation hampers you activity, what are the reasons for that?*

	Total sample			Entrepreneurs			Farmer-leaders			Peasant-farmers		
	Frequency	%	RANK	Frequency	%	RANK	Frequency	%	RANK	Frequency	%	RANK
Unclear wordings, cannot understand many of them	56	13.0	4	18	8.9		5	8.5	3	33	19.4	2
There are inconsistencies between legislation and ministerial regulations	66	15.3	2	39	19.2	2	4	6.8	4	23	13.5	3
Laws and regulations do not allow me to manage my enterprise in a more reasonable way as I want	62	14.3	3	29	14.3		12	20.3	2	21	12.3	4
Legislation changes very frequently	220	50.9	1	105	51.7	1	30	50.8	1	85	50.0	1
Other	28	6.5		12	5.9		8	13.6		8	4.8	
<b>Total</b>	<b>432</b>	<b>100</b>		<b>203</b>	<b>100</b>		<b>59</b>	<b>100</b>		<b>170</b>	<b>100</b>	

The main reason why the whole group evaluates current legislation negatively is its frequent modification (50.9 % of all interviewed).

In the opinion of the interviewed the second reason is inconsistency between laws and ministerial regulations (15.3%). Ministerial by-laws and regulations practically *cancel* the law, thus confusing a great number of people. At least in 15.3% of cases a real situation may be interpreted in different ways. One party may refer to the law while another one may make references to an instruction.

The third rank limitations of activity freedom. Legislation prevents 14.3% of interviewed from feeling real owners of their business. They cannot freely make organizational, financial and other types of decisions. There are many reasons to believe that this is not just a mere wish to avoid legal regulation. The majority of respondents put forward quite comprehensive claims to the law that impedes to be the owner of the legally owned property. ( Examples of these limitations are presented in Chapter 4).

The fourth reason impeding rural owners is *unclear wordings* in current legislation, which lead to misunderstanding, there are 13.0% of such responses in our poll. Of course, it does not mean that legislation should be written in everyday language. Legal terminology accepted by professionals will always cause certain difficulties for business people. But legal terminology must be precise. The following may be the solution of this problem: a) extension of accessible legal consultations for business people, and b) organization of consulting activity aimed at explanation of problems related to legislation comprehension.

The general analysis of reasons of negative impact of legislation reveals certain important differences in each of the group – entrepreneurs, farmer-leaders and peasant farmers.

### *Entrepreneurs*

	Absolute value	%	Rank
1. Unclear wordings, cannot understand many of them	18	8.9	4
2. There are inconsistencies between legislation and ministerial regulations	39	19.2	2
3. Laws and regulations do not allow me to manage my enterprise the way I want	29	14.3	3
4. Legislation changes very frequently	105	51.7	1
5. Other	12	5.9	5
<b>Total</b>	<b>203</b>	<b>100</b>	

Unlike other two groups entrepreneurs are a little more concerned about frequent changes of legislation (51.7%). The second rank the gaps between the law and ministerial instructions (19.2 %). This is almost twice higher than in responses of Peasant farmers (13.5 %), and three times higher than in the responses of leaders (6.8 %).

The third ranks the limitation by the legislation of entrepreneurs' freedom of activity (14.3 %), (more details in Chapter 4).

### *Farmer-leaders*

	Absolute value	%	Rank
1. Unclear wordings, cannot understand many of them	5	8.5	4
2. There are inconsistencies between legislation and ministerial regulations	4	6.8	5
3. Laws and regulations do not allow me to manage my enterprise the way I want	12	20.3	2
4. Legislation changes very frequently	30	50.8	1
5. Other	8	13.6	3
<b>Total</b>	<b>59</b>	<b>100</b>	

The main reason "frequent modification of legislation" has 50.8 %; "differences between legislation and ministerial instructions" – 6.8 %. At the same time one peculiar detail appears in the evaluation of leaders – it is the leader who suffers most of all from legislation limitations to freely carry out his activity (19.7 %). In other words, almost every fifth leader believes that the law impedes his freedom.

### *Peasant farmers*

	Absolute value	%	Rank
1. Unclear wordings, cannot understand many of them	33	19.4	
2. There are inconsistencies between legislation and ministerial regulations	23	13.5	
3. Laws and regulations do not allow me to manage my enterprise the way I want	21	12.3	
4. Legislation changes very frequently	85	50.0	
5. Other	8	4.8	
<b>Total</b>	<b>170</b>	<b>100</b>	

Activity of Peasant farmers reduces the weight of the reason «frequent modification of legislation» (50.0 %); «laws and instructions prohibit me from managing my enterprise the way I want» – 12.3 %. At the same time lower educational level increases the significance of the “unclear legislation” factor – 19.4 % (compare with entrepreneurs – 8.7 %; leaders – 8.5 %).

Laws, regulations and administrative procedures that cause problems for entrepreneurs.

	%
1. Law on state budget (Law on taxes, Law on VAT, customs duties)	60.4
2. Bureaucracy, formality, corruption	12.5
3. Big number of control bodies	8.3
4. Land code	6.9
5. Laws and instructions on manners of lending	4.2
6. Law and instructions on privatization	2.8
7. Simplification of agri-foods export procedures	2.1
8. Law on accounting	2.1
9. Law on Joint-Stock Companies and investment funds	0.7
10. Law on vineyards	0.7

Among those 10 laws, regulations and administrative procedures, impacting negatively on the activity of the entrepreneurs the main one is the Law on State Budget, considered by 60.4% of respondents. This law concentrates all the norms and regulations, determining day by day activity of farmers and entrepreneurs during the year.

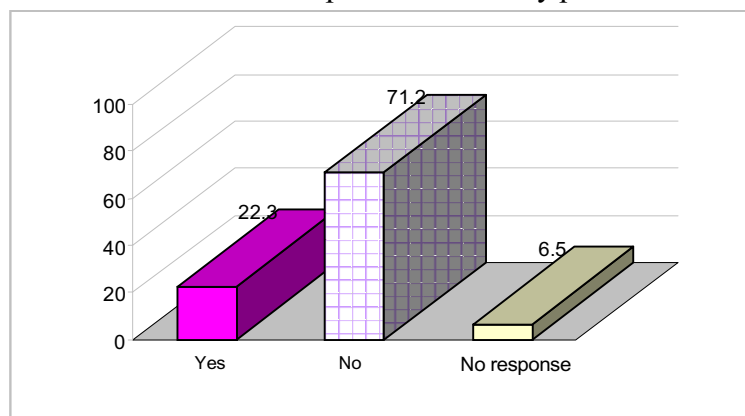
The second ranks the problem related to enforcing Laws and regulations. Besides the specific sense of the laws in reality is also important the manner of their enforcement.

Activities of 12.5% of entrepreneurs are hindered by bureaucracy, formalism and corruption. Yet, not only the quality of control bodies' work generates problems, but also their exaggerated number, as related by 8.3% of entrepreneurs. It is them who manifest bureaucracy, formalism and are biased to corruption.

The entrepreneurs having expressed claims to Land Code account for 6.9%. Related to that are also the difficulties in lending – 4.2%.

The law on vineyards - banning the rights of the farmers to plough unprofitable orchards and vineyards - impacts negatively also on entrepreneurs, as stated by 4.2% of respondents. This law ultimately stalls off entrepreneurs' possibility to purchase the necessary agricultural products in due volumes.

The comments of the entrepreneurs evidently prove the above statements:



Respondent 8: Production transportation through the territory of Moldova can be stopped by any state bodies at their own discretion.

Respondent 17: The Government adopts laws, and at the judets (county) level they are ignored.

Respondent 107: Law on privatization contradicts the norms based on which judges guide their activities.

Respondent 161: Tax inspectorate obliged me to purchase a sales register with fiscal code, although I already have two of them Samsung.

Respondent 15: Law on budget is adjusted many times after it is adopted.

**Conclusion.** In spite of certain differences, major part of rural business people and farmers consider current legislation to be a factor, which stalls off their activity. Undoubtedly, opinion of this mostly active part of rural population must be taken into consideration while amending the laws related to agrarian sector.

### 3. Impediments of administrative character

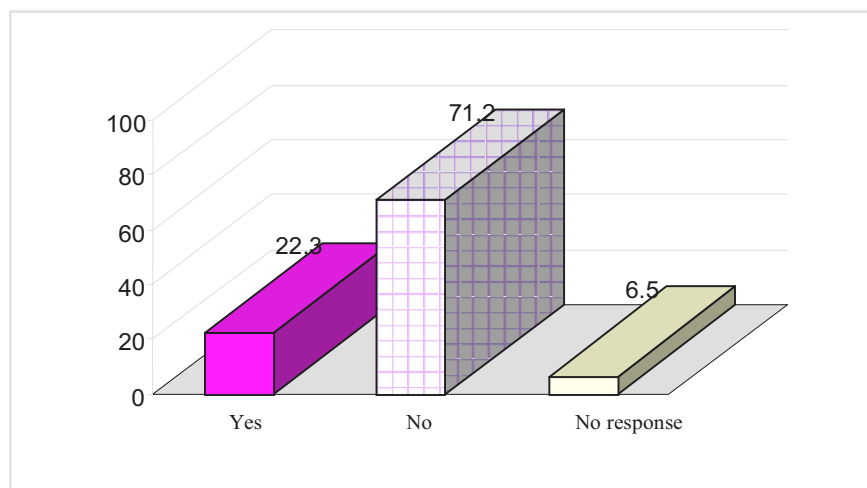
Legislation can engender administrative impediments to development of private farming enterprises and rural business. Imperfections of the law, if any, will cause undesirable administrative actions. But administration has its “own” possibilities for creating impediments that are not stipulated by legislation. The fact that these possibilities are often used can be seen from the results of our poll.

#### 3.1 Assistance of three levels administration

*Does in general administration – local, regional and at the level of the country provides you assistance in your activity?*

Evaluation index of administrative impediments is of negative value – 0.49. Reasons for low evaluation are of double character.

Firstly, in the opinion of respondents, only 22.3% of them really receive assistance, and three times more respondents 71.2% do not receive it at all. But the matter of the problem is not just insufficiency.



More likely, from force of habit both farmers and entrepreneurs demand “protective” attitude from authorities towards themselves. They demand what modern administration is obviously not able to do, since it is not its duty. On the other hand, authorities not only fail to resolve many *problems within their competence*, but even create them. For instance, certain public authorities create administrative procedures that impede entrepreneurs and farmers to:

- Purchase inputs;
- Transport goods in the territory of the RM;
- Sell their products (more details in Chapter 5)

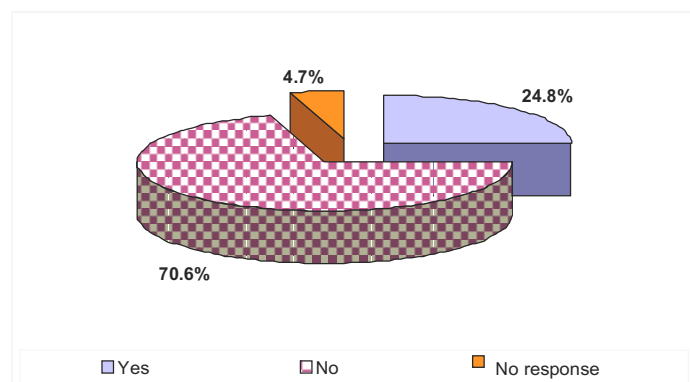
Complaints about corruption of authorities are most often referred to various administrative structures.

**Entrepreneurs.** This group receives the least assistance from administration. Only 16.4 % of entrepreneurs responded that they receive such assistance. And 74.6% of them believe that administration does not help them at all. Evaluation index of administrative assistance in this group is two times lower than in the group of farmer-leaders (- 0.29).

In general, one can say that rural entrepreneurs more acutely feel lack of attention from administration than farmer-leaders.

**Farmer-leaders.** In conformity with evaluations, this group enjoys a little bit more attention from administration. The percentage of those receiving assistance is two times higher – 32.8% (in comparison with entrepreneurs). This figure is also by 8% higher than in the group of Peasant farmers.

The situation is really interesting. Though this poll does not give a solution, nor explains the reason. Probably it is not only the type of activity carried out by different group, such as provision of services (entrepreneurs) and production (farmers) that is of major importance in evaluation of administrative assistance. Evaluation of assistance by Peasant farmers is not that high as by farmer-leaders. Maybe the reason is just economic volume of the leader’s business? The type of activity there is the same.



**Peasant farmers.**

Evaluations of this group are close to the average sample of responses. In comparison with entrepreneurs, percentage of those receiving assistance from administration is a little bit higher – 24.8 %, those who did not get any assistance account for 70.6 %. However, situation here differs significantly from the situation in the group of farmer-leaders.

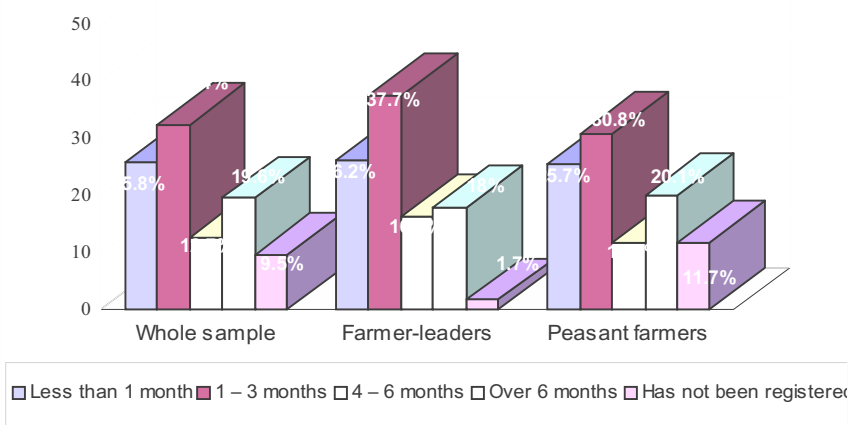


### 3.2 Enterprise registration

*How long did it take you to register your enterprise?*

	Whole sample	Farmer-leaders	Peasant farmers
	Absolute value	Absolute value	Absolute value
Less than 1 month	71	16	55
1 – 3 months	89	23	66
4 – 6 months	35	10	25
Over 6 months	54	11	43
Has not been registered	26	1	25
Total	275	61	214

Registration procedure has a very wide time range. At the same time it falls down into two groups – duration of registration from less than a month to 3 months covers about half of respondents (58.2% of the whole sample). More leaders are registered in this period of time (63.9 %) and fewer peasant farmers (56.5 %).



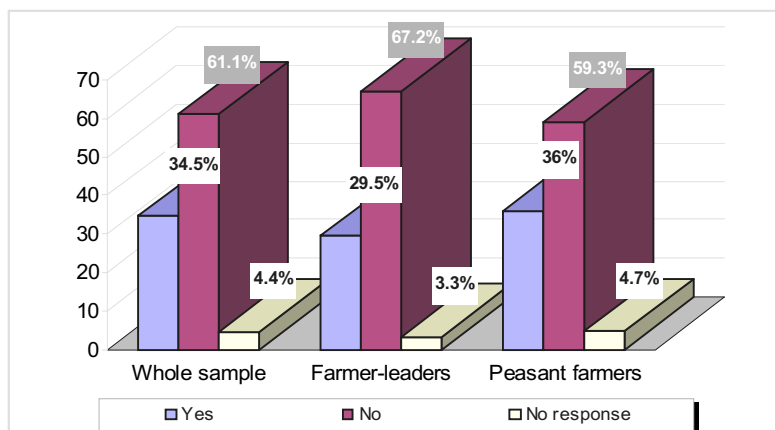
A substantial number of farmer-leaders (34.4%) and peasant-farmers (31.8%) have spent from 4 to 6 and more months on registration. And 11.7% of Peasant farmers have not registered at all. There are only 1.7 like that among farmer-leaders.

Peasant farmers spend much more time on registration than farmer-leaders. Percentage of farmer-leaders in the time interval of 1-6 months is higher than of peasant farmers, 54.1% and 42.5% respectively. However, there are more peasant farmers registered in the time period that exceeds 6 months, 20.1% versus 18.0% of farmer leaders. And there are much more of them among non-registered ones.

	Whole sample	Farmer-leaders	Peasant farmers
	Absolute value	Absolute value	Absolute value
No	95	18	77
Yes	168	41	127
No response	12	2	10
Total	275	61	214

Farmer-leaders face fewer problems with their enterprises registration than peasant farmers and rural entrepreneurs, 29.5 % versus 36.0 % and 39.8% respectively. In other words, by 6.5% less often than peasant farmers and by 10.3 % less than rural entrepreneurs.

Although farmers have as many problems with registration as entrepreneurs do. Both of them are met in the offices not as in classical bureaucratic situation (according to M.Veber). Bureaucracy encountered by our farmers and entrepreneurs is primarily in opposition. And as respondents mention relatively often the whole matter is resolved just by a mere bribe.



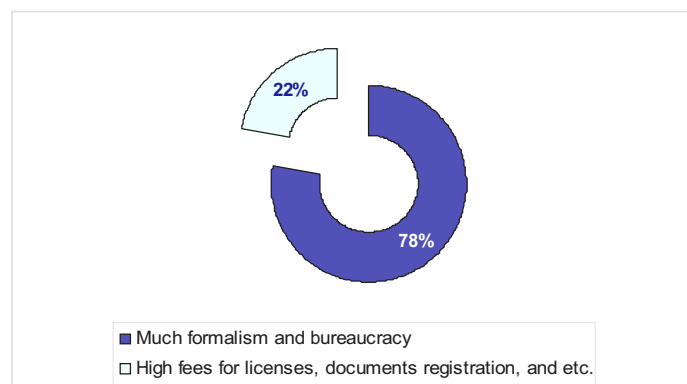
### Problems upon farms/enterprises registration

**Farmer-leaders.** Of 100% (21 persons) having responded to an open question on type of problems, 85.7% referred them to formalities upon registration. 14.3% (3 persons) named high registration rates as a problem.

#### **Entrepreneurs.**

39.8% of entrepreneurs face various problems with their enterprises registration. It is clear that these problems are related to the way we live, the way we understand and comply with laws.

Problems related to enterprise registration are divided into two large groups: 78 % mention formalism and bureaucracy and 22 % complain about high fees for licenses, documents registration, and etc.



#### *What are the problems like?*

Respondent №13: «I had to visit Tax Inspectorate, Department on Labor Protection, commercial department, electric energy supply department, and etc. two or three times».

Respondent №13: «The number of required documents has increased by two times».

Respondent №148: «The Law was passed in winter, but took effect only after the second round of elections».

Respondent № 163 (Cahul): «I have visited many agencies, spent a lot of money both officially and non-officially in Fire-Prevention Inspectorate, Economic Police, Alarm Systems Department, etc».

Respondent № 27: «Registration process is very complicated, fees are very high ...»

*Have you had problems with registration of means of transportation and equipment?*

	Whole sample		Farmer-leaders		Peasant farmers	
	Absolute value	%	Absolute value	%	Absolute value	%
No	166	60.4	18	29.5	148	69.1
Yes	101	36.7	43	70.5	58	27.1
No response	8	2.9	-	-	8	3.8
Total	275	100	61	100	214	100

Especially many problems with registration of means of transportation were faced by farmer-leaders, these problems were mentioned by 70.5%. Peasant farmers had fewer of these problems, but they have much fewer equipment.

Difficulties, experienced by peasant farmers while registering machines, are mostly related to violation of registration norms by respective bodies, rather than to norms as such. It is this why 88.6% of respondents complaint against bureaucracy and formal attitude manifested by those bodies while registering the machines.

*What kind of problems did you have during enterprise registration?*

**Farmer-leaders.** Most of them (36, that is 87.8%) consider the problems formalism and bureaucracy and 5 (12.2 %) - high fees rate.

Here are specific examples of the faced problems:

1. №21 (incea): «Have not still registered because of bureaucracy».
2. №84 (Hyrtop): «Until now cannot receive from the collective farm equipment due to us».
3. №182 (Vadul-lui-Isac, Cahul): «There is still no approved registration procedure for persons who have received part of technical equipment».
4. №43 (Vratuleni, Ungheni): «There is no fixed rate of the fee, I have paid what I was told. I haven't received documents so far».
5. №22 (T. de Salcie): «Was not able to register technical equipment, because there are no documents confirming property transfer».
6. №35 (Corzhevo): «Have been visiting various authorities for two years.»
7. №36: «Traffic police has been refusing registration for two years».
8. №53 (Horeshti): «I have been still registering (since 1997).»
9. №49 (Hinchesti): «Haven't still received all necessary documents (since 1997).»

## 4. Difficulties in production sphere

It is known that one of the weak aspects of production activity of entrepreneurs and farmers (leaders and peasant farmers) is lack of productive capacities, - machines, transport, and areas.

### 4.1 Provision of equipment

**Entrepreneurs.** Evaluation index of equipment sufficiency in this group also has negative meaning (- 0.13). This means that situation with equipment provision has been resolved for almost half of entrepreneurs, or for 43.3% to be more precise. This is the number of entrepreneurs who gave positive response to the question «Do you have all necessary equipment?». Although, this problem cannot be considered resolved, since over half of them (56.7 %) do not have equipment.

**Farmer-leaders.** Evaluation of leaders is worse than in the previous group. Machine sufficiency index amounts to – 0.28. In percent this is as follows: 36.1% have enough equipment, and 63.9% still need it. And for this group problems related to equipment are more acute, of course.

**Peasant farmers.** The situation with equipment is even more serious with peasant farmers. This can be proved by equipment sufficiency index, that is - 0.72. Only 13.1 % of peasant farmers have sufficient amount of equipment. 85.5% of them do not have it (at least in sufficient amount). Situation with technical equipment of this group of rural producers is very difficult.

Peasant farmers are in the least favorable situation with regard to equipment provision in comparison with entrepreneurs and farmer-leaders.

Statement of common problem has hardly brought anything new for its solution. Interesting information was obtained in responses to questions 5 and 6 in the group of entrepreneurs and farmers.

### 4.2 Impediments to machinery and equipment purchase

Almost half of all respondents (45.6%) believe that there are laws, instructions, administrative procedures that impede purchase of machinery and equipment!

*Are there any laws, instructions or administrative procedures impeding your purchase of machinery and equipment?*

	Absolute value	%	Index
Yes <sup>1</sup>	217	45.6	
No	249	52.3	
No response	10	2.1	
Total	476	100	-0.07

<sup>1</sup> Response «Yes» has a negative meaning in the evaluation, and conversely, «No» positive.

## Difficulties with equipment purchase

**Entrepreneurs.** The top five among all the mentioned above (19) are the following:

- High custom duties, high VAT rate (18.7 %)
- Formalism with import and export of equipment (14.1 %)
- Law on Mortgage (10.9 %)
- 3-4 - lack of money (10.9 %)
- 5<sup>th</sup> - bureaucracy, corruption (9.4 %)

As we can see, lack of money is not the main problem of entrepreneurs that relates to purchase of equipment.

**Farmer-leaders.** On first places (of 7) rank:

- Formalism with equipment import (61.1%)
- Low prices for local products (i.e. lack of financial means), (13.9 %)
- Credit policy (5.6 %)\*

**Farmer-leaders** put forward more complaints (60.6 %), than peasant farmers (45.8%) and entrepreneurs (40.8 %). 57.7 % of entrepreneurs, 50.9 % of farmer-leaders and 39.4% of peasant farmers are satisfied by the law, instructions, etc.

## 4.3 Factors impeding production

*Are there any laws, instructions or administrative procedures impeding the producer to produce and process?*

	Peasant farmers			Farmer-leaders		
	Absolute value	%	Index	Absolute value	%	Index
No	149	69, 6		35	57, 4	
Yes	63	29. 4		26	42. 6	
No response	2	1. 0		-	-	
	214	100	+ 0. 40	61	100	+ 0. 15

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\* The respondents explain the negative assessment as follows: registration takes too long; I want to buy a seeding-machine in Romania, but *getting a license costs too much(?)*; it is impossible to buy without a loan, but to get it is far too expensive; we cannot purchase equipment abroad; for purchasing seeds abroad too high duties are levied; the law does not *allow* to freely purchase production equipment in other countries; the pledging procedure does not suit me; procedure on purchasing machines based on leasing leads to a double increase of its price; I cannot get permission from the administration for purchasing combines in other countries.

Major part of farmers give positive evaluation of current situation: 69.6 % of peasant farmers and 57.4% of farmer-leaders. At the same time it does not mean that there are no problems.

***Farmer-leaders.***

- The Law on Vineyards and Orchards does not allow replacement of non-profitable vineyards and orchards;
- It is necessary to prepare at the level of judets a new set of documents for bulk sale every year;
- It is difficult to work on a land divided into small plots.

***Peasant farmers***

- It is difficult to change the product mix;
- It is impossible to use machinery because plots of lands are very small (Law on Privatization);
- The laws prevent from uprooting non-profitable vineyards, which is violation of ownership rights;
- We are entirely subordinate to the Mayor's office;
- We were not allowed to plough land by tractors from another village, and were obliged to plough by tractors from our village.

*Are there any laws, instructions or administrative procedures that create difficulties in purchase of such factors of agricultural production as fertilizers, chemicals and pesticides, fuel, seeds, and others?*

		Peasant farmers			Farmer-leaders			$\Sigma$		
		Absolute value	%	Index	Absolute value	%	Index	Absolute value	%	Index
1	No	120	56.1		29	47.5		149	54.2	
2	Yes	91	42.5		32	52.5		123	44.7	
3	No response	3	1.4		-	-		3	1.1	
	Total	214	100	0.13	61	100	-0.04	275	100	0.09

As we can see, the situation in general repeats the previous one: opinions of respondents have divided almost equally in both groups. The only difference is that a little bit more than half of farmer-leaders (52.5%) have evaluated this situation negatively. And inversely, peasant farmers have evaluated it positively (56.1 %).

**The problem can be better presented in the answers of respondents:**

***Farmer-leaders***

- We cannot buy fuel directly from abroad;
- Economic police checks place of origin of fuel without any authorization;
- There are artificial impediments to import of seeds from abroad;

- It is impossible to obtain license;
- 12 documents are needed to pass customs.

#### ***Peasant farmers***

- we are not allowed to buy seeds from abroad;
- there is monopoly of elevators and of “Fertilitate”;
- for chemicals purchase a document is required from epidemiological station on availability of rooms for their storage;
- there are no laws protecting buyers of seeds.

## **5. Difficulties of the market**

Successful sale of produced goods and services is the main indicator of producers adjustment to the market. However, rural farmers and entrepreneurs evaluate the situation on their products sale very negatively.

### **5.1 Problems of products sale**

*Do you have problems with sale of your products?*

	<b>Absolute value</b>	<b>%</b>	<b>Index</b>
No	164	34.4	
Yes	310	65.1	
No response	2	0.5	
Total	476	100	-0.31

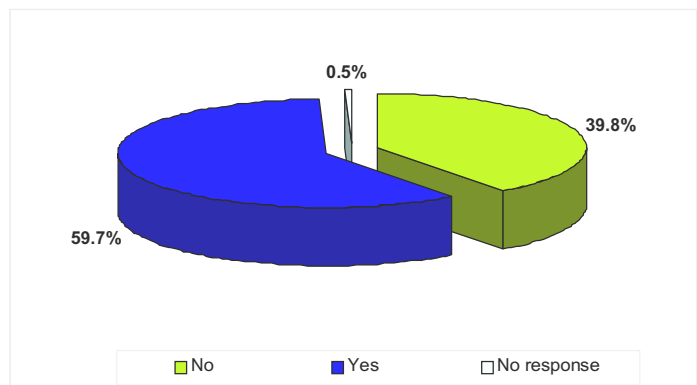
Materials of the poll show that there are many rural entrepreneurs and farmers (65.1 % of the whole sample) who face problems with their products and services sale. In general, evaluation of this situation is negative (index equals to - 0.31). 34.4 % of all interviewed do not have problems with their products sale. But this figure does not also characterize this situation as positive. The reason is that some rural producers, especially farmers, do not have these problems because their production is reduced either to the level of self-sustaining or is in critical situation. In this case they don't have anything to sell, therefore there are no problems.

*Do you have problems with your products sale?*

#### ***Entrepreneurs***

	<b>Absolute value</b>	<b>Index</b>
No	80	
Yes	120	
No response	1	
Total	201	-0.20

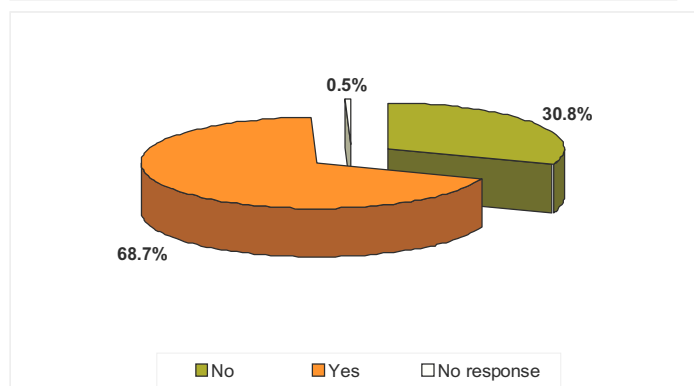
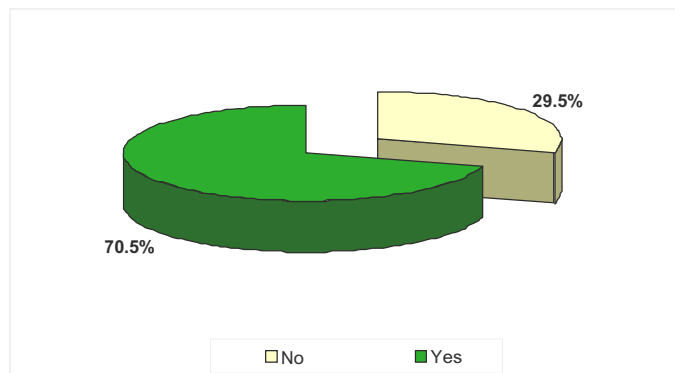
**Rural entrepreneurs** evaluate situation with their products sale as less problematic in comparison with peasant farmers. Evaluation index equals to – 0.20, but this is twice as low than of farmer-leaders and peasant farmers. The main reason for this situation is, probably, specific character of their production, which can be better projected, calculated and is more predictable. On the other hand, entrepreneurs have more possibilities to maneuver, change strategy and tactics, than farmers.



#### **Farmer-leaders**

	Absolute value	Index
No	18	
Yes	43	
No response	-	
Total	61	-0.41

Evaluation index of market problems in this group is two times lower than in the group of entrepreneurs. Therefore, sale problems are evaluated twice harder. Large areas of land being processed (average area of 388.22 hectares), number of people (average number is 131 persons), and, probably, significant volume of produced goods make this problem even more serious. We should also take into consideration that a peasant farmer can limit production by internal consumption, while it is practically impossible for the leader.



#### **Peasant farmers**

	Absolute value	Index
No	66	
Yes	147	
No response	1	
Total	214	-0.39

Probably the same type of labor and production cause the same market problems for peasant farmers. This can be the explanation of similarity of quantitative parameters.



Almost the same percentage of respondents mention availability of difficulties (70.5 % and 68.7 %) and their absence (29.5 % and 30.8 %). However the character of the problem is probably different. Peasant farmer can limit the volume of production only to its own consumption and thus avoid all the market problems.

*Are there any laws, instructions, or administrative procedures impeding transportation/sale of your products or services in the territory of the RM?*

		Whole sample		Entrepreneurs		Farmer-leaders		Peasant farmers	
		Absolute value	%	Absolute value	%	Absolute value	%	Absolute value	%
	No	331	69.5	137	68.2	40	65.6	154	72.0
2	Yes	142	29.8	63	31.3	21	34.4	58	27.1
3	No resp Onse	3	0.6	1	0.5	-	-	2	0.9
	Total	476	100	201	100	61	100	214	100

29.8 % of all respondents in the whole sample believe that there are laws and instructions that create difficulties for transportation of their products. Major part of them is comprised of producers of agricultural products. Farmer-leaders (34.4 %) and peasant farmers (27.1 %) prevail here.

## 5.2 Problems related to transportation/sale of products in the territory of Moldova

**Entrepreneurs.** In the opinion of respondents, the main reason is “corruption, bureaucracy, and formalities” which account for 21.4 %. The second rank licenses, procedures for registration transportation means, patent fee (14.3 % of responses). The third place rank high VAT and taxes (12.5 %). The fourth rank activities of customs and prohibition to trade agricultural products in other regions (8.9 %).

Prohibition to export products was mentioned, for instance, by entrepreneurs from villages Horeshti, Mihaileni, Sobari, etc. Entrepreneur from Mihaileni: «We were prohibited to sell milk in Balti by judets administration. Entrepreneur from Sobari: «Transportation of grain from Soroca to Ataki was prohibited by administration of the region”. Entrepreneur (84): «There is a decision which regulates utilization of timber only in timber production enterprises». Entrepreneur from Horeshti: «We were prohibited to sell products outside our region».

**Farmer-leaders.** They name the following four major reasons out of nine:

- 1-2 – Law on export, custom duties (26.3%)
- 1-2 – Expensive fuel (26.3%)
- 3-4 – Instability of prices (10.5%)

One of the reasons is obviously of legislative and regulatory character - the Law on Export and Custom Duties. As far as the second and the third problems, they would like to have state regulation of prices for fuel and ensuring stability of prices for agricultural products.

Peasant farmers consider, that transportation and sale of agricultural products on the territory of Moldova is hindered by:

	%
1. control bodies (tax police, financial guard, economic police, customs checks, actions of local and regional administration)	29.5
2. barriers to sale of local products	26.3
3. problems related to products certification, lack of special laboratories	11.5

Judging by farmers' statements, most barriers in transportation and sale of agricultural products on the territory of Moldova are created by the control bodies. For 29.5% of them, the fiscal police, financial guard, economic police and customs check points, through their actions aggravated already serious situation in product sales. One of the farmers emotionally described the situation as follows: "Sometimes I think I live in a strange state!".

The second barrier, in terms of importance, is a marketing issue: available barriers in selling local production, acknowledged by 26.3% of respondents. The farmers, in fact, require from legislators to confirm additional safeguarding measures.

Despite the fact that the sales problem ranks third among the impediments, certification problem is extremely important. Having no possibility to implement the certification issue by their own, the farmers are compelled to resort to second-hand dealers. Of course, the latter are not interested in improving these possibilities. This is why 11.5% of farmers consider the issue of production sales to rank third in terms of importance.

Respondent №65: «We are not allowed to sell grain in Ukraine»; №59: «We are not allowed to sell products at real prices»; №48: «Passing of customs is a very difficult procedure, up to 12 documents are needed for it».

**Peasant farmers.** Coropcheni village: "Local police prohibit trading, because there are cases of stealing from the fields, and products being sold can be stolen". Colibash (Cahul): «At the session of the Mayor's office we were informed that we have no right to take products out of the village without authorization issued by the Mayor's office". Respondent from the same village: «Mayor's office prohibits to take grain out of the village».

### 5.3 Problems related to laying-in of agricultural products

This type of activity of rural entrepreneurs plays very important liaison role between farmer and the outside world. It resolves many production and financial problems of farmers. Improvement of laying-in activity of entrepreneurs will have favorable impact on economic development of modern Moldovan villages. In accordance with results of the poll, 84.6% of rural entrepreneurs are dealing with laying-in of products. Plurality of this group could have arisen optimism. However, if we try to evaluate the success of laying-in activity, we can say that situation is changing for the worse. Thus, of 170 entrepreneurs involved in this activity, only 32.8% are able to lay-in sufficient amount of products for their business. Much larger part of businessmen (51.7 %) fail to do that. Obviously, to regret of farmers as well.

One of the reasons for such situation named by entrepreneurs is legislation and administrative procedures not allowing farmers and other persons to sell their products. 43.8 % of respondents in or pill are of this opinion. 52.7% adhere to opposite opinion believing that there are no impediments like that.

Since such issue is not resolved by mere voting, let us turn to the arguments of those who believe these problems exist. Let us review 55 clarifications provided by part of entrepreneurs in support of their statements. We believe that entrepreneurs are right in many cases. For instance, high license fees account for 50.1% of all the problems hindering laying-in, complexity of licensing procedure which requires lots of documents, as well as frequently mentioned corruption. 32.7 % is taken by high value of fuel, which probably makes transportation of products unprofitable. Among other impeding factors are arbitrary fines, prohibition to joint-stock companies to buy equipment from private persons(?!), prohibition to freely sell products, and for some reason, barter. Each of these factors accounts for 3.6%.

#### **5.4 Problems related to products export**

Well known are the problems related to export of the main wealth of the country - agricultural products. How much are these problems caused by current legislation, licensing system and administrative procedures?

**Entrepreneurs.** 56.2% of respondents believe that there are no reasons like that. And inversely, 38.8% believe that they are quite realistic. Since the second group provides grounds for its opinion, let us listen to it. There were expressed 73 argument-opinions. Let us take them for 100%. 74.0 % are related to high taxes and custom fees and complicated custom procedures. The second (by 10.9%) rank the notorious corruption. Further on follow formalities with certification of perishable products (5.5 %), complications with obtaining licenses (4.1 %), cumbersome controlling procedures (2.7 %) and problems with traffic police upon crossing Transnistrian border (1.4%).

We shall agree that impediments to export do exist. But are they related to legislation, licensing system and administrative procedures? Both yes and no. In some cases, the problem pertains, obviously, not to legislation, but to the manner it is executed (corruption). But it is not always easy to see the difference between them for a farmer or an entrepreneur. But they are right, that licensing procedures are too complicated, and excessive control really exists.

**Farmer-leaders:** 50.8% of them do not encounter this type of barriers, although quite a few of them consider them very real – 42.6%.

**Peasant-farmers: the picture is somewhat different – 58.9% either do not really encounter such problem, or do not know of their existence. Yet, 38.8% of the farmers consider it real.** Among the farmers, having available data on the given issue and assessing the situation on product export as negative, the bulk of them see the main barrier in the Law on Export and high customs duties. Both barriers are assessed almost equally by both groups: farmer-leaders – 86.8% and peasant farmers – 87.0%. The law and procedures, designed to enhance the export of production, for a considerable part of real and potential exporter is a stalling off factor.

The second as per importance issue that considerably shows up in evaluating the Law on Exports and Customs, yet, mentioned as a separate one is the bureaucracy,

formalism and corruption of control bodies – respectively by 1.6% and 3.5%. Of course, one may argue whether these issues refer to legislation, and try to prove something converse. Yet, in any case this problem is real, which hinders the efforts of the farmers in handling the export problem.

Here are some examples of everyday problems:

1. Respondent №7: «We have to pay “under the table”».
2. №55 (Horeshti): «I have to pay bribes to get a license».
3. №№107, 141, 143, 144: «Export documents are terribly complicated».
4. №95 (Sorocea): «Duplication of documents prior and at the customs».
5. №13 (Vaskautsi): «Export procedure is extremely complicated because of excise taxes, VAT, and bureaucracy».
6. №31: «Products export process is very expensive».

## 6. Difficulties created by controlling bodies

Relations between farmer, rural entrepreneurs and controlling bodies were studied here from quantitative aspect, whether they are “within the norm” or “exceed the norm”. It is presumed that control within the norms does not cause additional difficulties, i.e. does not cause any difficulties by mere fact of a visit of inspectors<sup>2</sup>. Excessive number of inspections creates nervous atmosphere and distracts entrepreneurs from performing their work.

We presumed that a norm for controlling bodies inspections is 4 visits per year, i.e. one visit per quarter. Visits in excess to this figure were considered as exceeding the norm.

**Entrepreneurs.** Analysis of respondents’ answers shows that visits of two out of five controlling bodies were excessive. On average within a year every entrepreneur was visited 5.6 times by inspector of electric networks, 5.4 times by financial inspectors and sanitary-epidemiological inspectors, and 3.1 by economic police. On average visits of fire-prevention inspector were less frequent than a norm and amounted to 2.1. visits per year.

More interesting picture of interrelation between normative and over-normative control can be obtained as a result of their interrelation analysis in each particular case.

Thus, over-normative visits of electric networks inspector amounted to 36.4 %, of financial inspector to 33.0 %, economic police – 13.5 %, fire-prevention inspector – 12.5%.

So, we can see that almost every third company experienced excessive control of financial and electric network inspectors, and almost every eighth-ninth company experienced excessive control from economic police and fire-prevention inspector.

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<sup>2</sup> This does not mean in any way, that the norm in terms of number of visits cannot create barriers to business development. Yet, this type of problem goes beyond the limits of the poll.

Even more excessive and therefore negative character of control can be observed with regard to certain particular companies the number of which is not that small.

Here are at least some examples:

*Financial inspector*: 15 firms were inspected 12 times, 4 firms - 15 times, 2 firms - 20 times, 4 - 24 times, 3 - 30 times, 1 - 25 times, and 1 firm - 50 times within a year.

*Economic police*: 12 firms were inspected 10 times, 5 – 12 times, 2 – 20 and 2 - 24 times within a year.

*Fire-prevention inspector*: 6 firms were inspected 10 times, 3 – 12 times, 1 firm was inspected 30 times within a year.

The most excessive control is exercised by electric networks inspector: 32 companies were visited by him 12 times within a year, and 10 companies from 16 to 100 times a year

Substantial amount of excessive control is exercised by the doctor of sanitary-epidemiological station: 18 firms were visited by him on a monthly basis, i.e. 12 times within a year, 7 firms were visited from 15 to 60 times within a year. On the whole, there are 233 visits of 7 companies within a year (!).

It is also interesting that while some companies experience high level of excessive control, significant number of entrepreneurs are not controlled at all. Thus, 7 % of entrepreneurs responded that financial inspectors had not visited them, 29% were not visited by economic police, 29.9 % were not visited by fire-prevention inspector, 22.4 % had no visits of electric networks inspector, and 31.3 % were not visited by doctor-epidemiologist.

***Farmer-leaders.*** General analysis of visits of farmer-leaders by controlling bodies show that in comparison with entrepreneurs their number per one farmer-leader is much lower. Thus, the number of over-normative inspections amounts to 2 out of 5. The responds show that there are 5.7 visits per year of electric network inspector and 4.3 visits per year of financial inspectors. Visits of other controlling bodies do not exceed the norm (2 sanitary-epidemiological inspections, 2.4 fire-prevention inspections, and 1.5 inspections of economic police). It is difficult to explain the reasons for less frequent inspections, since this was not the objective of this study.

The poll of farmer-leaders show that over-normative control of financial inspectors amounts to 34.3%, of electric networks inspectors to 32.9%. These figures for other controlling agencies are lower. Economic police– 9.8 %; sanitary-epidemiological inspection – 9.8 %, and fire-prevention inspection - 11.4 %.

To mention is that burden of over-normative control of certain leaders is much heavier. Thus, financial inspector visited 2 leaders 5 times, 6 leaders - 6 times, 10 leaders - 12 times within a year, one leader was visited 15 times and another one 20 times within a year. At the same time 14.8 % (9 leaders) were not been inspected at all.

Electric networks inspector visited 20 leaders 266 times within a year, at the same time almost half of the interviewed (42.6%) were not inspected at all.

***Peasant farmers.*** The results of the poll show that peasant farmers are less frequently controlled by 6 controlling agencies. Thus, not a single agency has exceeded the norm of four inspections per year.

For peasant-farmers the results of the poll are as follows:

- Electric networks inspector 1.8 inspections per year
- Financial inspector 1.6 inspections per year
- Economic police 0.4 inspections per year
- Sanitary-epidemiological service 0.2 inspections per year
- Fire-prevention inspector 0.06 inspections per year
- Technical inspector 0.06 inspections per year

At the same time average figures are much exceeded with regard to certain farmers. Thus, financial inspector carried out over-normative inspections of 38% of interviewed farmers. At the same time, 20.6 % (44) of all interviewed have not been inspected at all.

Electric networks inspector visited 17.6% of interviewed from 5 to 12 times within a year, at the same time 68.2% (146) have not been inspected at all.

Within one year economic police controlled 9 farmers 82 times, i.e. from 6 to 12 times per year. At the same time 82.2% (176) have not been inspected a single time.

*Conclusion.* Though, performing quite legal controlling functions, state bodies nevertheless create real difficulties for certain part of rural businesses. In conformity with the study results, these difficulties are created already at the quantitative level, since major part of all three groups comprised of entrepreneurs, farmer-leaders and peasant farmers have experienced over-normative control. For some of them this level of control presents serious impediment to their business activity.

## 7. Financial difficulties

*Does financial legislation or practice create any difficulties for you?*

	Whole sample			Entrepreneurs			Farmer-leaders			Peasant farmers		
	Absolute value	%	Index	Absolute value	%	Index	Absolute value	%	Index	Absolute value	%	Index
1 No	144	30.2		67	33.3		16	26.2		61	28.5	
2 Yes	326	68.5		130	64.7		45	73.8		151	70.6	
3 N/r	6	1.3		4	2.0		-	-		2	0.9	
<b>Total</b>	<b>476</b>	<b>100</b>	<b>-0.38</b>	<b>201</b>	<b>100</b>	<b>-0.31</b>	<b>61</b>	<b>100</b>	<b>-0.47</b>	<b>214</b>	<b>100</b>	<b>-0.42</b>

Difficulties related to financial legislation are characterized as one of the most problematic for respondents. Evaluation index of this legislation amounts to – 0.38. Every third respondent does not have any complaints, while two of every three do. Dissatisfaction prevails in the group of farmer-leaders (73.8 %). It is a little bit lower among peasant farmers and entrepreneurs (70.6 % and 64.7 % respectively).

Data of the poll do not provide for complete answer whether objective or subjective reasons prevail in this evaluation. However, it is obvious that such strong opposition of the subject makes the law implementation rather doubtful. In order to increase its efficiency it is necessary to, at least, persuade major part of entrepreneurs

and farmers that this law should exist in such form. It would be more efficient if some comments made by the respondents in the poll were taken into consideration.

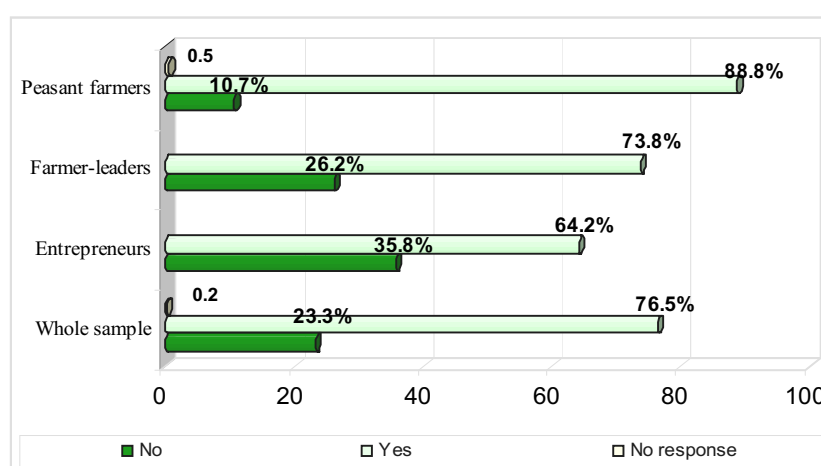
## 7.1 Credit policy

*Did you take credit in 1998?*

	Whole sample	Entrepreneurs	Farmer-leaders	Peasant farmers
	Absolute value	Absolute value	Absolute value	Absolute value
1 Yes	111	72	16	23
2 No	364	129	45	190
3 No resp.	1	-	-	1
Total	476	201	61	214

As we can see from the results of the data provided above, crediting process has covered only every fourth respondent of the whole sample (23.3 %).

We can see noticeable differences in the groups. Entrepreneurs take more credits (35.8 %); farmer-leaders



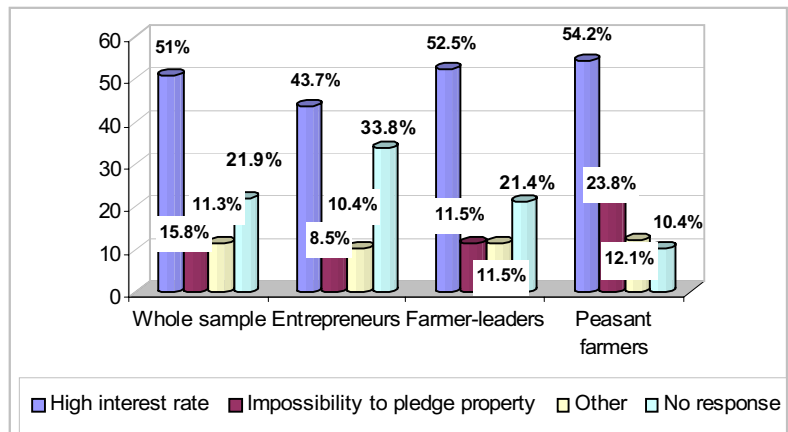
rank second (by 26.2 %); and third rank peasant farmers with much lower percentage of 10.7%. Taking into consideration importance of credits in economic life we can conclude, that its role in agriculture and rural business of the Moldova is much impaired. This is especially true for peasant farmers. The most numerous layer of rural producers is practically cut off financial assistance. Of course, it is difficult to expect any positive changes, unless situation with crediting changes significantly.

*Why haven't you taken credits?*

	Whole sample	Entrepreneurs	Farmer-leaders	Peasant farmers
	Abs. value	Abs. value	Abs. value	Abs. value
1. High interest rate	243	95	32	116
2. Cannot pledge property	75	17	7	51
3. Other	54	21	7	26
4. No response	104	68	15	21
Total	476	201	61	214

The main reason why credits are not taken, is high interest rate. 51.0 % of all respondents mention this reason as the main one. The second rank the impossibility to pledge property (15.8 %). Other reasons do not exceed 11.3 %.

Thus, it is high interest rate with banks that curbs crediting. The situation in groups does not differ greatly. Though we can see that in comparison with entrepreneurs farmer-leaders and peasant farmers are more concerned about high interest rates (respectively 52.5% and 54.2%).



## 7.2 Problems related to financial legislation

### *Entrepreneurs*

- Financial legislation often changes;
- It is difficult for understanding;
- It would be preferable to pay social tax after harvest, and not on a quarterly basis;
- Specification of taxes in accordance with types of services is extremely complicated.

### *Farmer-leaders*

- financial legislation often changes;
- too many various taxes;
- traffic police penalizes for unlicensed retail trading, though there are no legal provisions for that.

### *Peasant farmers*

- financial inspectors force farming enterprises to maintain double accounting which contradicts legislation;
- it is necessary to simplify tax system and to have only one financial tax;
- pensioners are not allowed to pay taxes from pension arrears;
- taxes should be collected at the end of the year;
- it is silly to require maintenance of a very complicated accounting system in a farming enterprise with 1-2 hectares of land and one farmer being a pensioner.

## 8. Informational difficulties

In conformity with the poll results, it is very difficult to obtain information for the purpose of business activity. Thus, 59.7% of entrepreneurs mentioned that they do not receive any information that would help them to improve production, sale of their products, etc. Only 24.4 % receive such information, though 15.4 % do not need it. We



should not think that this group does not face information problems. Most likely they just underestimate the role of information.

Peasant farmers have even more problems with information obtaining. Percentage of those who do not receive it is the highest in this group (65.4 %), and percentage of those who need it is the lowest (7.5 %). The number of those satisfied by information provision is practically the same, i.e. every fourth (26.2 %) manages to find necessary information somehow.

Farmer-leaders are in a more favorable situation, (obviously thanks to their participation in “Land” project). Percentage of those who receive necessary information is higher (37.7 %); and percentage of those who do not receive it is a little bit lower (47.5%). Percentage of those who do not need this information is practically the same as in the group of entrepreneurs.

Obviously, lack of information creates serious difficulties both for the process of rural production (farmer-leaders and Peasant farmers) and for servicing of this production (rural entrepreneurs).

One of the blocks of information provision of both business and farming activities is information on legislation of the Republic of Moldova.

The poll data testifies the fact that major part of entrepreneurs evaluates their knowledge of legislation as good and satisfactory (14.4 % and 52.2%). And only every third (32.8 %) estimates his/her knowledge as unsatisfactory.

The situation in the group of farmer-leaders is practically the same. But the situation in the group of peasant farmers differs. 5.6% of farmers have “good” knowledge of legislation, 40.7 % - “satisfactory” knowledge and 52.3 % estimate their knowledge as unsatisfactory.

### **Reasons for insufficiency of information: age and education**

**Age.** In the group of entrepreneurs people younger than 50 amount to 79.7 %; in the group of farmer-leaders they constitute 80.4 %. In the group of peasant farmers – 58.0 %. And inversely, people older than 50 constitute respectively 20.4 %, 18.1 % and 42.1%.

**Education.** On the whole as we can see educational level in the group of peasant farmers is lower than in the first two groups. Number of people with higher and uncompleted higher education is two times higher in the groups of entrepreneurs and farmer-leaders in comparison with the group of peasant farmers. People with primary (10 %) and secondary (39.9 %) education prevail here.

## 9. Government and problems of farmers and rural entrepreneurs

The suggestions of farmers and rural entrepreneurs to the Government reflect the whole range of barriers and problems they come across in their activity. The set of the problems are limited to the framework of expected difficulties prior to starting activity as farmer and entrepreneurs and those encountered in day-to-day life. Unfavorable business and operational environment, where the rural Moldovan entrepreneurship and farming is being built-up, creates many real (and assumed) problems.

Many of them pertain to the authority of the state bodies. And the problems cannot be resolved without the efforts of the latter. The Government undertakes a lot of efforts to resolve the problems, actually according to respondents, and not less is being done for emerging other ones.

Which are the most important problems, that must, according to respondents, be settled by the Government in order to improve the situation of entrepreneurs and farmers?

The entrepreneurs submitted to the Government a *set* of 30 problems, farmer-leaders – 16, peasant-farmers – 17. The selection frequency in the first case was 477 problems, in the second – 159 and in the third one – 538.

On average there are 2.5 problems per respondent. It is less than what was suggested to be formulated (3 problems). “Under-disclosure” of problems is caused mostly by lack of confidence to the Government rather than lack of problems. This can be proved by activity of other respondents – many of their responses are so comprehensive, that they rather seem like letters to the Government and not just responses to a questionnaire.

Most actively were farmer-leaders. The rate of problems per one farmer-leader is 2.6, more than per one entrepreneur (2.4) and peasant-farmer (2.5).

***Entrepreneurs.*** The main module of expectations comprises three elements:

1. Reviewing normative acts on taxation	18.0%
2. Regulating prices on electricity and fuels	16.3%
3. Long term lending at low interest rate	15.7%

It is the juridical aspect that entrepreneurs are interested in with regard to reviewing the normative acts on taxation. The financial aspect of taxation was ranked by them on the 6<sup>th</sup> place.

In this particular case, to a great extent is obvious their general legal competence. Taxes cannot be cut without changing laws – it is well known by entrepreneurs too. Yet, should they relate those expectations to the Government?

Price regulation on electricity and fuels it a rather understandable expectation. Also very easily explainable. Expectation of long-term lending system at low interest rate

could be of interest not only for the entrepreneurs but for Government too. The list of expectations is provided below:

	Frequency	%
1. Reviewing normative acts on taxation	86	18.0%
2. Regulating prices on electricity and fuels	78	16.3
3. Affordable longterm lending	75	15.7
4. Protection of local producer	32	6.7
5. Subsidizing agriproduction sector	29	6.1
6. Facilitating controls, fighting corruption	25	5.2
7. Diminishing taxes, duties, issuing long term licenses	24	5.0
8. Export stimulation	18	3.8
9. Assistance in purchasing equipment	13	2.7
10. Regulation of agriproduct prices	11	2.4
11. Setting up informational consulting centers	10	2.2
12. Stabilize the national currency (leu)	10	2.2
13. Shaping sales market	9	1.9
14. Purchase of agricultural production	7	1.6
15. Provide for legal stability	7	1.6
16. Support small business	6	1.2
17. Attract foreign investments	6	1.2
18. Land code, social fund	5	1.0
19. Simplify accounting system	4	0.8
20. Provide for political stability	4	0.8
21. Regulate control	4	0.8
22. Organize system of seed, fuel and pesticide supplies	4	0.8
23. Adopt respective laws	2	0.4
24. Prohibit barter	2	0.4
25. Allow to work without control structure	1	0.2
26. Insure permanent supply of electricity	1	0.2
27. Cancel debts	1	0.2
28. Implement new technologies	1	0.2
29. Create associations for technical supplies	1	0.2
30. To simplify the procedure of perishable items transportation	1	0.2

Attention should be paid not so much to the set of expectations, but rather to the percentage of expressed views: 13 problems accounted for 85%, whereas other 17 – 15%. To mention is, that the respondents did not express the whole stock of suggestions. Obviously, one might say there is no unity of views with regard to a series of crucial problems pertaining to improvement of entrepreneurial activities.

For instance, the regulation of control, i.e. diminishing extra-normative control ranks among insignificant expectations – 0.8%. Considering the difficulty of the problem for the entrepreneurs, it seems strange. May be the Government lacks confidence as regards handling this problem? Or may be the problem is settled at the level of bodies themselves?

A rather insignificant attention entrepreneurs pay to implementing new technologies – 0.2%. Could that be another lack of hope as regards the possibility to handle this important for entrepreneurs problem?

**Farmer-leaders.** The block of main problems consists of 4 elements:

	%
1) Supply of fuels, fertilizers, pesticides, seeds, electricity	15.7
2) Insure legal stability, modify existing procedures, diminish number of laws	14.5
3) Protect local production	14.5
4) Long term credits at low interest rate	14.5

Operation problem regarding the supply of fuels, fertilizers and others, showed its importance in the previous analysis. Yet, the substance of the expectation is related not only to shortage of funds. One may think of the protection against administrative violations, extra-normative control, cuts in electricity supplies. Farmer-leaders suffer of instability of laws, drawbacks of licensing procedures, customs checking, purchasing and registration of machines and equipment.

			%
1.	Assistance in supplying fuels, fertilizers, etc.	25	15.7
2.-4.	Insure stability of laws, modify procedures, diminish taxes	23	14.5
2.-4.	Protect prices on local production	23	14.5
2.-4.	Providing longterm credits at low interest rates	23	14.5
5.	Providing assistance to agrarian sector	14	8.8
6.	Diminishing taxes, customs duties and others	10	6.3
7.	Protection of local producers	9	5.7
8.	Create centers for purchasing agricultural production	7	4.4
9.	Assistance in purchasing transport means	6	3.8
10.	To facilitate the law on exports, cut export duties	5	3.1
11.	Set up informational centers	4	2.5
12.-13.	Facilitating control	3	1.9
12.-13.	Attract foreign investments	3	1.9
14.	Set up centers for land farming	2	1.2
15.-16.	Fighting corruption, formalities	1	0.6
15.-16.	Extend telecommunications net in rural areas	1	0.6
		159	100.0

The respondents of this group are close to the limit of 183 possible expectations. This fact immediately contributed to increasing share of respondents accentuating 16 problems. 8 of 16 problems accounted for 85%, and other 8 – for 15%. Thus one can notice a considerable concentration of expectations in the first group. Obviously, the importance of the problems comprised is very high.

Both *farmer-leaders* and entrepreneurs pretty often are subjected to extra-normative control. Yet, the fact that they do not include among expectations the need to diminish that is somewhat impressive. This expectation accounts for only 1.9%. Although almost twice higher than among the group of entrepreneurs, yet, obviously below its level of importance.

Fighting corruption as one of expectations, also ranks as low importance issue for farmer-leaders – 0.6%.

**Peasant-farmers.** The module of main expectations comprise 4 problems:

- |  |       |
|--|-------|
| 1. Supply of fuels, fertilizers and others                 | 18.4% |
| 2. Support agrarian sector                                 | 15.4% |
| 3. Long-term credits at low interest rate                  | 13.7% |
| 4. Setting up centers for purchasing agricultural products | 12.8% |

Evaluation of fuels related situation, as well as fertilizers and others, proves once again its importance for the rural area, for the agrarian sector. The Government should devise some manners of its settlement. This is possible not only by way of direct subsidies. More than farmer-leaders, peasant farmers expect protectionist measures to be undertaken by the Government. Yet, one can hardly regard this as a simple manner of support.

			%
1.	Assistance in supplying fuels, fertilizers, etc.	99	18.4
2.	Support to agrarian sector	83	15.4
3.	Providing longterm credits at low interest rates	74	13.7
4.	Create centers for purchasing agricultural production	69	12.8
5.	Diminishing taxes, customs duties and others	53	9.8
6.	Assistance in purchasing transport mean	45	8.3
7.	Insure stability of laws, modify procedures, diminish taxes	30	5.6
8.	Set up centers for land farming	23	4.3
9.	Protection of local producers	18	3.4
10.	Protect prices of local production	16	3.1
11.	Set up consulting centers	14	2.6
12.	Review the laws on exports and customs duties	6	1.1
13.	Attract foreign investments	4	0.7
14.	Facilitate the pressing of the control bodies	1	0.2
15.	Fighting corruption, bureaucracy	1	0.2
16.	Simplify accounting system	1	0.2
17.	Resolving the problem of product certification	1	0.2
<b>18.</b>	<b>Total</b>	<b>538</b>	<b>100.0</b>

Among other problems, requirement of protectionist measures is obvious:

- |  |       |
|--|-------|
| - supporting the agrarian sector         | 15.4% |
| - protection of local producer           | 3.4%  |
| - protection of prices on local products | 3.1%  |

Peasant farmers particularly suffer of shortage of machines. To this fact is related their high expectation of technical assistance – 8.3%. It is particularly concerning the expectation of help in land farming: 4.3% would like to get from the Government assistance in this manner of handling technical problems.

As in previous cases, the peasant farmers do not expect from the Government to fight corruption and bureaucracy – 0.2%. At the same level are the expectations in diminishing the pressing of the control bodies – 0.2%. Though some peasants are not disturbed too much of those bodies.

The legal actions of the government do not rank among key issues of rural producer' expectations. In all three groups their evaluations rank as 5<sup>th</sup>-6<sup>th</sup> and last positions. In fact this is quite natural – the Government is not a legal body.

Yet, the share of the legal expectations by rural producers is much bigger indeed. They relate all problems resolution to legal regulation. Getting help in terms of technical equipment, protectionist measures etc. can be reached only in case when respective laws will be available.

### **Conclusions and recommendations**

1. All those seven elements of the milieu, in which the farmers and entrepreneurs are running their activities, are assessed as negative. Thus, all seven components: administrative, technical, legal, financial, control, informational and marketing, in the current state of affairs, are barriers, hindering the development of the business and operational activity in the rural area.

Negative evaluation, in terms of quantity, has been provided by about 44.7% to 71.2%, which proves the high degree of negative evaluation.

2. Among the most barriers prevail:

- administrative,
- technical,
- legal.

3. Each category of producers has itemized its own main barriers, that impact negatively on their activities:

- entrepreneurs: administrative, legal and control related;
- farmer-leaders: financial, control and marketing;
- peasant-farmers: technical, administrative and financial.

Both the set of barriers and degree of their negative impact is determined as per type of basic activity and degree of readiness of the producers to settle the emerging barriers.

4. *The survey allows us to conclude the following: of the seven types of barriers the most negative impact on entrepreneurial and production activity in the rural side is exercised by the legal ones.* It is determined by its influence on all the other types of production and business activity of the entrepreneurs and farmers. Imperfection of legal norms and their enforcement procedures, lead to complicating removal of all other types of barriers.

Respondents have noticed a negative impact of the legal imperfection on:

- purchasing of equipment – 40.8% of entrepreneurs, 60.7% of farmer-leaders, 43.1% of peasant farmers.
- purchasing necessary fertilizers, pesticides, oil, seeds, *et al.*, - 42.1% of farm-leaders and 52.5% of peasant farmers.
- haulage and sale of outputs and services on the territory of Moldova – 31.3% of entrepreneurs, 27.1% of farmer-leaders and 34.4% of peasant farmers.
- export of products 38.8% of entrepreneurs, 38.8% of farm-leaders and 42.6% of peasant farmers.

- laying-in agricultural products – 43.8% of the entrepreneurs consider there are real legal barriers, stalling off the peasants and farmers in selling their outputs.
- in handling the tax legislation – 64.7% of entrepreneurs, 73.8% of farmer-leaders and 70.6% of peasant farmers.

Resolution of legal and administrative barriers, inconsistency of licensing procedures, uprooting bureaucracy and violations while registering ownership, machines, at customs controls, exaggerating the authorities by local and regional administration and law and order organs, pertain to the authority of the respective bodies – Parliament, Government and branch ministries.

The Parliament and Government should avoid in their practice enforcement of legal and unjustifiably difficult administrative norms and regulations, make them simple and effective.

## 10. Social portrait of the countryside entrepreneur and farmer

### *Surveyed regions*

Регион	Entrepreneurs		Farmer- leaders		Peasant-farmers		Mayors, counsellors		TOTAL:	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
North	68	38.8	16	26.2	68	31.8	16	29.6	168	31.7
Center	103	51.2	25	41	97	45.3	25	46.3	250	47.2
South	30	14.9	20	32.8	49	22.9	13	24.1	112	21.1
TOTAL:	201	100	61	100	214	100	54	100	530	100

The sample corresponds in general to the share of the population inhabiting each of the natural -economic regions of Moldova. The Center is the most populated region and 47.2% of the country's population lives here, 31.7% lives in the North region and 21.1% lives in the South. The share of interviewees from a given social category depends on their number in each surveyed region.

### Gender

#### Distribution of interviewees by gender, (%)

	Entrepreneurs	Farmer leaders	Peasant farmers	TOTAL:
Men	83.6	91.8	85.5	85.5
Women	16.4	8.2	14.5	14.5

The surveyed group includes more men than women: 85% against 14.5%. The share of men within social categories is also considerably bigger than that of women. The group of farmer leaders includes two times more men than women. The general picture is that men play a leading role in business and farming in Moldova. Among farmer leaders there are 8.2% of women, 16.4% account for entrepreneurs and only 14.5% among farmers.

Another clear conclusion is that men constitute the biggest number of property owners.

## Age

Distribution of interviewees by age (%)

	Entrepreneurs	Farmer leaders	Peasant farmers	TOTAL:
Under 30 years	5.5	-	2.8	3.6
30 – 39	26.4	19.7	13.6	19.7
40 – 49	47.8	60.7	41.6	46.6
50 – 59	17.4	14.7	26.2	21.0
Over 60	2.5	3.3	15.8	8.6
No answer	0.4	1.6	-	0.5

46.6% (the largest share) of all the surveyed persons involved in business activities are 40 to 49 years old. This trend is valid also for the social categories. 21.0% (second largest share) of all the surveyed persons involved in business activity are 50 to 59 years old. This age group constitutes the largest share of peasant farmers. The age group 30 - 39 years constitutes 26.4% of entrepreneurs and 19.7% of farmer leaders – they constitute the second largest share. As a whole entrepreneurs and leaders are younger than peasant farmers.

## Education

Distribution of interviewees by education (%)

	Entrepreneur	Farmer leaders	Peasant farmers	TOTAL:
Uneducated	-	-	2.3	1.1
Primary	1.0	3.3	13.1	6.7
Secondary general	8.0	8.2	28.8	15.1
Secondary vocational	32.3	32.8	33.6	33.0
Higher	57.7	52.5	25.2	42.4
Incomplete higher	1.0	3.0	1.9	1.7

Important is, that the situation with the education level of countryside entrepreneurs and farmers is good: 92.2% of all the interviewees have education from general secondary to higher. Each third has secondary vocational education, 42.4% - higher education and 1.7% - incomplete higher education. The entrepreneurs have the highest educational level, farmer leaders – somewhat lower. Within the sample each interviewee has studied on the average for 11.7 years.

The entrepreneur has studied on the average for 12.9 years, the farmer -leader – for 12.6 years and the peasant farmer – 10.4 years.

*Incentives for starting a business activity*

	Entrepreneur	Farmer leaders	Peasant farmers	TOTAL:
Wish to have revenues	26.4	14.7	5.8	15.7
To survive	18.9	24.5	33.0	26.7
Wish to work independently	25.9	16.4	21.0	22.9
Wish to be owner	40.8	45.9	33.5	38.9
Did not know what to do	4.0	1.6	6.7	2.3
Other	3.5	4.9	2.8	2.3
No answer	-	1.6	0.9	0.6



Among the incentives for undertaking business and farming activity the wish to be owner is prevailing: 38.9%. 45.9% of farmer leaders started their activity in view of this incentive. They are followed by entrepreneurs of which 40.8% had this incentive. 33.5% of peasant farmers started their activity in view of this incentive – they aspired to a lesser extent to become owners.

A considerable share of the interviewees started their business activity under the influence of external factors and constraints. Some of them – only to survive, others because they did not know what to do else. Their share is considerable in all groups. The external factors had a particularly strong impact on peasant farmers: almost each third started farming in order to survive (33.0%). Each fourth leader farmer and each fifth entrepreneur started their activity in order to survive. The wish to have revenues was the most characteristic for entrepreneurs and was the incentive for 26.4% of them. Only 5.8% of peasant farmers started their activity in view of this incentive. For them this incentive was the least characteristic.

*The starting social status of entrepreneurs*

The starting social status	%
Agriculture	49.8
Industry and construction	12.4
Social sector (healthcare, education, culture)	6.5
Trade	16.4
Local administration	5.0
Other	9.5
No answer	1

Most entrepreneurs worked in agriculture before starting their current activity (49.8%). 16.4% of them worked in trade (second most common field), 12.4% worked in industry and construction. A small share of entrepreneurs is made up of former representatives of the social sector and local public administration.

*Plans for the future, (%)*

	Entrepreneur	Farmer leaders	Peasant farmers	TOTAL:
Desire to preserve the same level	35.3	43.7	43.0	39.7
Expand activity	43.3	39.3	18.2	31.5
Find a foreign partner	38.3	6.5	34.6	32.6
Stop activity	8.4	8.2	6.5	7.6
Other	6.9	11.5	5.1	6.7
No answer	1.0	-	0.9	0.8
TOTAL:	133.2	109.2	110.1	118.9*

In general within the sample the trend to stagnation prevails over the aspiration to expand business activity in the plans for the nearest 2–3 years: 31.5% intend to expand their business, 39.7% – to maintain the same level. Thus, 43.7% of farmer leaders and 43.0% of peasant farmers do not intend to expand its activity. However the share of entrepreneurs who do not intend to expand their business is also quite high – 35.3%. This

\* Сумма ответа равна больше ста процентов, поскольку возможны были несколько выборов.

illustrates that business activity in the countryside is in a non-favorable situation. At the same time a part of entrepreneurs intends to expand activity (43.3%). This is also true for 39.9% of farmer leaders and for only 18.2% of peasant farmers.

It is to be highlighted that among entrepreneurs and peasant farmers there is the intention to find a way out of the unfavorable situation in the cooperation with other partners. Thus, 38.3% of entrepreneurs wish to find a foreign partner and 34.6% of the peasant farmers wish to join an association. 6.5% to 8.4% of the interviewees intend to stop their activity.

## Description of business activity of entrepreneurs and farmers

### Procurement and lease

*Did you procure or rent premises, equipment and land (entrepreneurs), %*

	Quantity	Bought		Rented	
		Частота	%	Частота	%
Production buildings (square meters)	1-100	18	9	39	19.4
	101-500	21	10.4	27	13.4
	Over 500	8	4.0	11	5.5
	No answer	154	76.6	124	61.7
Transportation means (pieces)	1	29	14.4	21	10.4
	2	13	6.5	8	4.0
	3 and more	24	12.0	17	8.5
	no answer	135	67.2	155	77.1
Technical equipment (pieces)	1	18	9.0	4	2.0
	2	12	6.0	6	3.0
	3 and more	34	17.0	19	9.5
	no answer	137	68.0	172	85.5
Land (ha)	Less than 2	8	4.0	4	2.0
	From 2 to 5	6	3.0	4	2.0
	Over 5	3	1.5	44	21.9
	No answer	184	91.5	149	74.1

The entrepreneurs rent more often the production premises – 38.3%, than procure – 23.4%. This situation exists in the case of agricultural land: 25.9% renting and only 8.5% - procured. However a considerably bigger number of entrepreneurs neither rent nor procure production buildings.

In the case of transportation and technical equipment the situation is different: it is more often bought than leased – in 32.9% of entrepreneurs procured transportation and 22.9% leased it. The technical equipment was bought at the same roughly level but was leased considerably less (32.9% and 22.9% respectively). The majority of entrepreneurs – from 67.2% to 85.5% did not procure and did not lease transport means or technical equipment. In other words since the beginning of their business activity their majority did not increase the quantity of transport and technical equipment.

Roughly the same situation occurs in the case of land: only 8.5% bought and 25.9% leased in, the majority did not carry out any activities with land.

Judging by the answers the entrepreneurs since the beginning of their activity could not accumulate the required capital for procurement of technical means and equipment and for expanding the production premises, or spent the capital on other purposes.

## Works for the construction and renovation of production buildings

*Did you build or renovate production buildings?*

Number	Answers	Frequency	%
1	No	103	51.2
2	Yes	91	45.3
3	No answer	7	3.5

In accordance with answers, the entrepreneurs were busy to a larger extent with the construction and renovation of their own production buildings (45.3%) than with the procurement and lease (23.4% and 38.3% respectively). At the same time half of them – 51.2% did not renovate and did not build production premises.

## Number of owners

Farmer leaders		Peasant farmers	
Quantity	%	Quantity	%
1-6	27.9	1-2	73.4
7-100	29.5	3-7	15.0
Over 100	39.9	Over 7	4.7
No answers	3.3	No answer	7.0

The form of organization of *farmer leaders* activities is so, that it includes a considerably bigger number of land owners than with peasant farmers. Thus more favorable conditions for the use of modern technologies for the cultivation of land are created. At the same time among peasants the trend is in place of a reducing number of land owners (land is being sold).

The overwhelming majority (73.4%) of the farms owned by *peasant farmers* are owned collectively by 1 – 2 peasants, and 15% - by 3 – 7 peasants. Naturally they have less possibilities to organize cultivation of land and agricultural production at a high level. At this initial stage of the agricultural reform there are farms owned by 7 and more owners.

## Number of employees

Farmer leaders		Peasant farmers	
Quantity	%	Quantity	%
1-10	16.4	1-8	27.1
11-100	24.6	9 - 15	2.8
Over 100	27.9	Over 15	1.9
No answer	31.1	No answer	68.2

The farms of farmer -leaders use for the cultivation of land and for the processing of harvest a considerable number of employees. Moreover, the group of farms that have more than 100 employees is the biggest – 27.9%. 24.6% of farms employ 11 to 100 employees.

At the same time 31.1% of farms of leaders can do with their own forces without hiring employees.

The biggest share (68.2%) of **peasant farmers** do not hire employees. Only a small share of them – 21.8% employ people. 27.1% of farms employ 1 to 8 employees.

*The surface of land (ha)*

Farmer leaders		Peasant farmers	
Number	%	Number	%
1-100	27.9	1-2	26.6
101-500	45.9	2-5	36.0
501-1000	9.8	Over 5	36.6
Over 100	16.4	No answer	1.0

The process of concentration of land use on the basis of lease mainly has started in the republic. Particularly active is this process in the farms of “Land” Project. According to the survey 25% of leaders in 1990 owned plots of land of over 500 ha, 16.4% of leaders owned plots of over 1.000 ha. The process of concentration is quite fast, particularly after the moratorium on selling -buying the land was lifted in 1996.

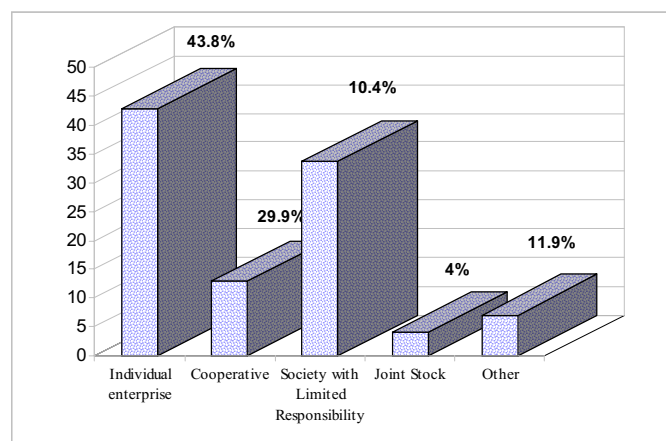
On the average in the country during land privatization a peasant received about 2.0 ha, while not less than 30-50 ha are necessary for an effective use. In 1999 only 36% of peasants had plots of land of over 5 ha. The use of land is still broken up and this is due to the big number of pensioners owners of land and depression in other branches. Apart from that the land plot is for the majority of households the only source of means for existence in the conditions of crisis.

*When was your enterprise set up?*

	Entrepreneurs	Farmer leaders	Peasant farmers	Total:
Before 1997	109	10	116	235
1997 – 1998	-	7	5	12
No answers	88	44	93	225
Before 1997	4	-	-	4
Total	201	61	214	476

The development of the private sector in the countryside of Moldova after the uncertainties and expectations of 1991 – 1995 became more active in the mid 90s. This process was speeded up by the new legislation adopted by the Parliament in the field of agricultural reform and by the implementation of the “Land” project.

*Which is the organizational form of your enterprise?*



The most common form of enterprise in the countryside– individual enterprises (42.8%) and joint stocks, created on the basis of the former collective and state farms (12.9%). Limited companies (33.8%) are popular for the small business. Quite a few enterprises (7.0%)– are of an uncertain form.

*What kind of activity are you carrying out?*

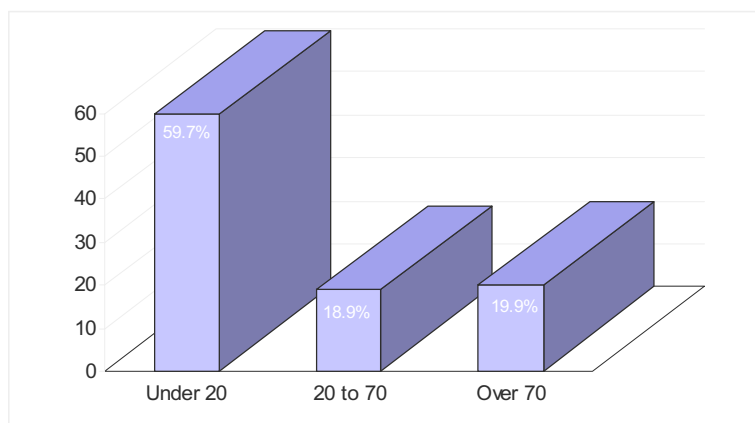
Характер деятельности	%
Trade	36.8
Services (technical, chemical, etc.)	31.3
Processing of agricultural goods	23.9
Production of food (bread, vegetable oil, juices, etc.)	25.4
Warehousing	22.1
Other	8.9

**Entrepreneurs.** The majority of enterprises (about 22.1%) of small business in the countryside is busy with laying in agricultural products and trade. Services (31.3%) are often combined with depositing of agricultural products (in spring– oils and gasoline, fertilizers, seeds, in exchange for the harvest in autumn.) The small business for the production of food is at the initial stage of development.

*What is the size of your enterprise?*

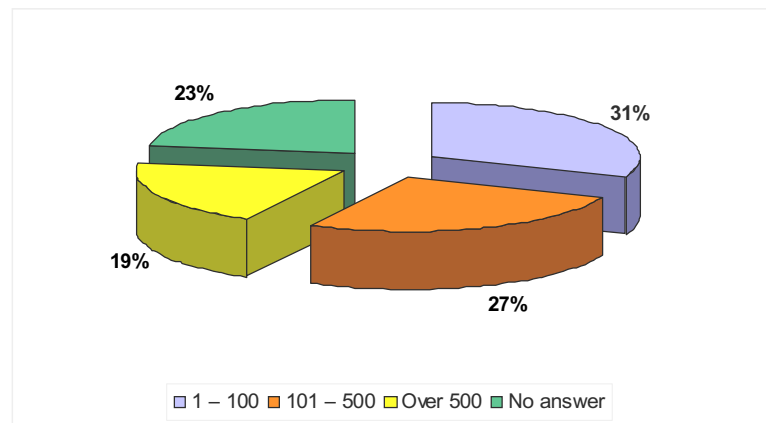
A) Number of employees

Around 60% of the enterprises of the private sector in the countryside – are small and employ less than 20 people. The majority of enterprises employ people on a seasonal basis.



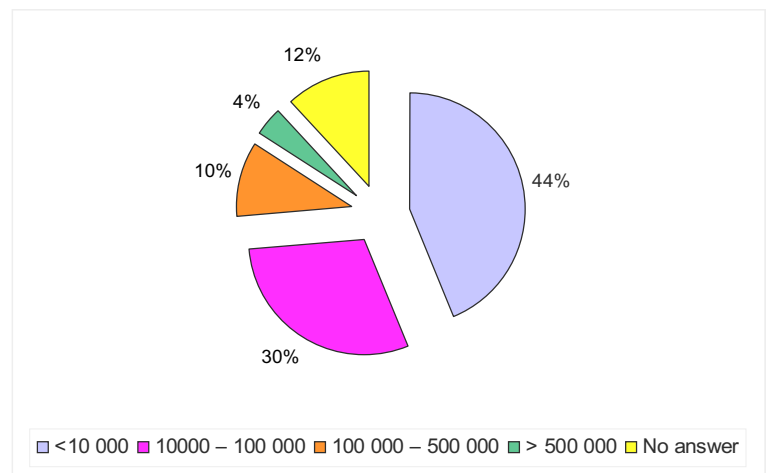
### b) Surface of production premises

The small business in the countryside possesses mainly (57.7%) production surfaces of under 500 square meters. The majority is privatized, former property of collective farms or the state. There are few new production surfaces. There is a big share of enterprises (22.9%) which possess very limited surfaces or no surfaces whatsoever (?!).



### Which is your monthly turnover? (lei/month)

Over 70% of enterprises in agriculture are small by their turnover. Their development is taking place in the conditions of a deficit of financial means for investing and for renewing the working assets. Yearly around 20% of enterprises go bankrupt. There is a clear trend towards concentration in the sector of farms (on the basis of purchase and lease of land).



## 11. Mayors, counsellors and other representatives of public administration on impediments to farmers and small-scale rural business

### 11.1 Local administration on impediments to farmers and small-scale rural business

no.	Enterprise	Frequency	%	Type of impediment	Rank
1	Ambiguity of legislation	10	18.5	Legislative-regulatory	3
2	Regulation abundance (too many licenses, etc.)	9	16.7	Legislative-regulatory	4
3	Tax complications	5	9.2	Financial	5
4	Financial difficulties (credit, pledge, etc.)	28	51.8	Financial	2
5	Lack of agricultural equipment, fertilizers, repair services, and etc.	29	53.7	Operational	1
6	Lack of services	2	3.7	Services	6
7	Lack of marketing, channels of sales, and etc.	-	-	Market	6
8	Other	1	1.9		7

Profile of impediments, their set and ranging by local administration is influenced by two factors, their social status and social environment. The first factor exists in the form of role instructions of the local administration officer, and the second factor exists in the form of pressure from entrepreneurs and farmers. Having the right to give power authorities to any person, social environment exerts pressure on local administration. It is also important to mention, that often besides its administrative functions *local administration is a farmer or entrepreneur itself*. Business and power are closely interconnected in the rural areas.

In the opinion of local administration seven impediments are divided into four groups: with high, average, low and zero score.

The *first* group includes technical and financial impediments. Their numerical value equals to respectively 53.7 % and 51.8 %.

The *second* group includes impediments evaluated three times lower than in the first group. On the other hand, their evaluation is two -three times higher than in the third group. This group includes legislation ambiguity (18.5 %) and regulation abundance (16.7 %).

The *third* group comprises tax and service impediments (9.2% and 3.7% respectively).

The *fourth* group consisting of marketing impediments has not received any serious evaluation by local administration. It has completely ignored them! Perhaps local administration is not concerned about lack of marketing activities or sale channels of products? We doubt that. But what is obvious is that they believe that there are more serious impediments than these ones.

In one case their opinion coincided with opinion of entrepreneurs and farmers, these are technical and financial impediments (see the Table). But their opinions about market impediments differ significantly. (Though we should take into consideration the fact that evaluation was carried out in accordance with different scales. And this could not but impact the result.). Let us remember complaints of entrepreneurs and farmers about restricting measures of local bodies to freely sell products. (see Chapter 5).

## 11.2 Forms of support of farmers and entrepreneurs

*What has the Mayor's office done to support farmers and entrepreneurs?*

№	Name	Frequency	%	Rank
1	Organization of machinery storage	2	2.8	7-8-9-10
2	Creation of consultative Center	10	13.9	4
3	Creation of center for provision of fuel, chemicals, seeds...	9	12.5	5
4	Center for provision of fuel, chemicals, seeds...	5	6.9	6
5	Services on land processing	1	1.4	11-12-13
6	Development of land projects и and issuance of ownership documents	16	22.1	1
7	Organization of credit associations...	2	2.8	7-8-9-10
8	Rescheduling of taxes	11	15.3	2-3
9	Organization of farming enterprises	11	15.3	2-3
10	Organization of the Committee on Draught Consequences Liquidation	1	1.4	11-12-13
11	Assistance to farming enterprises	2	2.8	7-8-9-10
12	Information seminars	2	2.8	7-8-9-10
	Total	72	100	

Assistance of local administration to farmers and entrepreneurs includes 12 types of activity. Is it much or not? Not so much, since seven of them are of random character and took place only 1 -2 times. (We should remind that 54 representatives of local administration participated in the poll). Three types of activity were carried three times. It is typical, that even activities determined by formal status of local administration are not dominant. They rank first place by only 22.1 % and 15.3 % (activities № 6, 7 and 8).

To mention is, that a very important type of activity is absent in the whole range of activities of local administration, aimed at entrepreneurs and farmers support. This is implementation of new forms of activity of economic entities in the rural areas. Mayor's offices are not involved in this. This is the task of entrepreneurs and farmers themselves, or of projects of technical assistance (WB, USAID, TACIS and others).

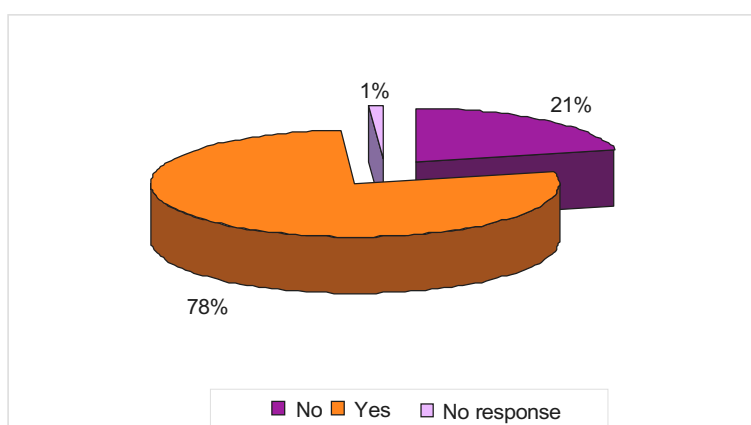
### 11.3 Ways of support of farmers and entrepreneurs

*What are the most important ways of support of farmers and entrepreneurs?*

No.	Name	Frequency	%	Rate
1	Assistance in understanding of laws, regulations and manners of their implementation	23	23.0	3
2	Assistance in rural infrastructure development (marketing channels, purchase of raw materials, fuel, computers, and etc.)	39	39.0	1
3	Assistance in credit disbursement	25	25.0	2
4	Protection of their interests at the national level	11	11.0	4
5	Do not know	-	-	
6	Other	2	2.0	

Obviously this scale has not been designed for measuring all or major part of ways of support of farmers and entrepreneurs. It does not suit this purpose, since its units of measurement are very small, only 4 segments. The sixth unit "other" did not work, as only two responses have been received. Therefore the character of conclusions is also predetermined by low level of fractions of the scale. We have received ranged distribution in four fractions. The first fractions of the scale are completely consistent with three main impediments to the activity of farmers and entrepreneurs: *technical, financial and legislative*. Ranging procedure is the same (see. E3). Higher weight of the scales (%) is determined by the same limitations of the scale fractions.

Evaluation by local administration of the fourth fraction of the scale "protection of interests of farmers and entrepreneurs at the national level" is of great interest. Only 11.0% believed that their interest protection is possible. Maybe the interests are undervalued, or, the whole matter is hopeless? Unfortunately, it is not possible to get answer to this in this poll.





## 11.4 Rights of local administration

*Do you have enough rights to support farmers and entrepreneurs?*

Most of Mayors and members of local administrations believe that obviously they do not have enough rights to support farmers and entrepreneurs efficiently. Whether it is true or not can be *determined only by a lawyer*. But what is obvious is, that assumption of an office holder's rights insufficiency shrinks the possibility of using the current available ones.

*If «not», how should your right be changed to provide more efficient support to farmers and entrepreneurs?*

	Name	Frequency	%	Rate
1	Subordination of economic entities to the mayor's office	3	10.7	2-3-4
2	Extension of rights of the Mayor's office (writing-off debts, land expropriation, etc.)	19	67.9	1
3	Issuance of export licenses	3	10.7	2-3-4
4	Establishment of a Mayor's Fund for farmers and entrepreneurs support	3	10.7	2-3-4
	Total	28	100	

The scale being analyzed represents modification received as a result of local administration interviews. We have kept four out of nine fractions. The reason is that excluded five directly refer to status rights of local administration. We should remind you that received scale is the result of responses to an open question.

Dominant requirement is extension of the Mayor's office rights. It was expressed by 67.9% of respondents. The Mayor's office (the Mayor) should have the rights to make decisions on the issues starting from *writing-off* taxes to land expropriation (!). Not clear, though, whether it is desired to do that based on a court decision or not.

With regard to the above, *justified should be considered the desire to extend mayor's office rights in making decisions on everyday economic entities activities*. Without any reason many important issues have been mandated to judets level. This creates many unreasonable difficulties for farmers and entrepreneurs.

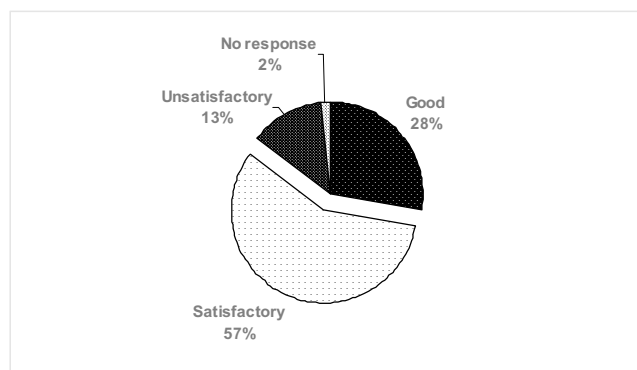
However, we can hardly agree with demand "to subordinate economic entities to the Mayor's office" (10.7 %) and entitle it «to expropriate land».

At the same time, local administrations do not feel like heading reforming process of rural economic entities. Local administration does not want to use the rights it already has, and to *organize production process*.

## 11.5 Awareness of local administration about legislation

*How well are you informed about legislation on regulation of the Mayor's activity?*

Self-evaluation scale of the local public administration with regard to



regulation of the Mayor's activity provides an approximate idea about real level of being informed. It is well-known that self-evaluations are always overestimated. Besides 90% of village mayors have been replaced. It is clear that not every person who only two months ago was running for this position will evaluate his knowledge of laws as unsatisfactory.

However, even the obtained data puts us on guard. 27.8% know laws well, and 57.4 % satisfactory. The last figure testifies that most of respondents face difficulties with regard to laws approach and enforcement.

*To which extent does legislation of the Republic of Moldova, regulations of the Government and ministerial instructions affect your activity in the local administration?*

No	Name	Frequency	%	Rate
1	Law on Local Public Self Administration	33	63.5	1
2	Law on Public Service	3	5.8	4
3	Village Council	1	1.9	5-6-7
4	Land Code	4	7.7	3
5	Local taxes, clarifications	9	17.3	2
6	Decision on Viniculture Development	1	1.9	5-6-7
7	Tax Code	1	1.9	5-6-7

Respondents give priority to the Law on Public Administration (63.5 %). Then rank the laws, regulating economic activity of rural economic entities, such as Land Code and Tax Code (7.7 % and 1.9 % respectively).

Second place (17.3%) represented by local taxes and clarifications is of special interest. Quantitative value and the fact that it ranks second demonstrates importance of this form of regulation. It would be important to get an answer to the question, how consistent local taxes and clarifications are with legislation of the Republic of Moldova. It is also interesting to find out that 1.9% are guided by decisions of the Village Council. As shown by the results of the poll of farmers and entrepreneurs, the first ones often contradicts the second.

It is also surprising that not a single interviewed administrators named the supreme law of the country - the Constitution.

*In your opinion what problems result from the laws and administrative acts that impede the development of rural business and private farming enterprises?*

No	Name of the problem resulting from the law or administrative act and preventing development of rural business and private farming enterprises	Frequency	%	Rate
1.	High licensing fees	23	34.8	1
2.	Granting rights to the mayor's office to register documents on vineyards and orchards plugging up.	5	7.6	4
3.	Support in provision of chemicals, fuel and seeds	2	3.1	5-6
4.	Reduction of taxes	1	1.5	7-8
5.	Reduction of requirements to chemicals storage	1	1.5	7-8
6.	Registration of equipment should be done in the Mayor's office	16	24.2	2-3
7.	Complicated export procedures of agricultural products	16	24.2	2-3
8.	Difficulties with access to credits	2	3.1	5-6
	<b>Total</b>	<b>66</b>	<b>100</b>	

The greatest impediment to rural business and private farming development is the regulation setting procedures and extremely high licensing fees (34.8 %). Second and third rank two regulations. The first one on agricultural products export procedures (24.2 %), and the second one regarding machinery registration procedure (24.2 %). There was made a proposal to pass registration of equipment to the Mayor's office.

Attention is captured by the of ploughing of non-profitable, of sparse orchards and vineyards. Current legislation restricts the right to change the type of plantations, because this will lead to a fast diminishing areas of orchards and vineyards. This limitation is presented by a complicated procedure for obtaining permission to plough. In opinion of 7.6 % of respondents this stalls off private farming development.

The same can be said about: regulation on taxes (1.5 %), regulations setting forth too high (in the opinion of the respondents) requirements to availability of storage facilities for chemicals (3.1 %), regulations complicating procedure for access to credits (3.1 %). Evaluation of regulations reflects working everyday thinking of local administration.

There can be no simple conclusions in this situation. There can be modifications of regulations based on the opinion of respondents, as most active explanations of the Government on the feasibility of these regulations substance and laws execution.

## 12. Annexes. Statistical data on the poll results

### (1) QUESTIONNAIRE FOR THE FARMERS (who abandoned the collective farms before the start of “Land” project)

#### A. PROFILE OF THE ENTERPRISE. PLEASE GIVE SOME INFORMATION ON YOUR ACTIVITY.

##### A1. When was your enterprise set up?

Number	Name	Frequency	Percent
1	Before 1997	116	54.2
2	Part of pilot-project “Nisporeni”	5	2.3
3	1997 – 1998	93	43.5

##### A2. How long did it take to register your enterprise (starting with the preparation of documents and to their signature)?

Number	Name	Frequency	Percent
1	Less than one month	55	25.7
2	1-3 months	66	30.8
3	4-6 months	25	11.7
4	Over 6 months	43	20.1
5	Not registered	25	11.7

##### A3. Did you face some difficulties during the registration of your enterprise? For example, did it take too long, did you have to pay high fees, did you have to visit too many institutions?

Number	Name	Frequency	Percent
1	Yes	77	36.0
2	NO	127	59.3
3	No answer	10	4.7

##### A4. If yes, please specify:

Number	Name	Frequency	Percent
1	Unclearness, instability of the legal framework, often changes in the tax procedures	1	0.5
2	Lack of support for the agricultural sector	1	0.5
3	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	72	33.6
4	Bureaucracy, corruption, abundant formalities	2	0.9
5	No answer	138	64.5

**A5. Have you had problems when registering the transportation means, equipment? For example did it take too long, did you have to pay too high fees, did you have to visit too many institutions?**

Number	Name	Frequency	Percent
1	Yes	148	69.2
2	NO	58	27.1
3	No answer	8	3.8

**Please specify**

Number	Name	Frequency	Percent
1	Lack of subsidies for the agricultural sector	3	1.4
2	Low for local products	4	1.9
3	Bureaucratic procedures for registering enterprises, means of transport and equipment	54	25.2
4	No answer	153	71.0

**The size of your enterprise?**

**A6. Number of owners, persons**

Number	Name	Frequency	Percent
1	1-2	157	73.4
2	3-7	32	15.0
3	Over 7	10	4.7
4	No answer	15	7.0

**A7. Number of employees, persons**

Number	Name	Frequency	Percent
1	1-8	58	27.1
2	9-15	6	2.8
3	Over 15	4	1.9
4	No answer	146	68.2

**A8. Surface of agricultural land, ha**

Number	Name	Frequency	Percent
1	1-2 ha	57	26.6
2	2-5 ha	78	36.4
3	Over 5 ha	77	36.0
4	No answer	2	1.0

## **B. PERSONALITY OF THE INDEPENDENT PEASANT/FARMER**

### **B1. Your age:**

Number	Name	Frequency	Percent
1	Under 30	6	2.8
2	30-39	29	13.6
3	40-49	89	41.6
4	50-59	56	26.2
5	Over 60	34	15.9

### **B2. Gender**

Number	Name	Frequency	Percent
1	Male	183	85.5
2	Female	31	14.5

### **B3. Education**

Number	Name	Frequency	Percent
1	No education	5	2.3
2	Primary	28	13.1
3	General secondary	51	23.8
4	Vocational secondary	72	33.6
5	Higher	54	25.2
6	Incomplete higher	4	1.9

### **B4. What made you create your enterprise, start your business?**

#### **First choice**

Number	Name	Frequency	Percent
1	Wish to have profits	13	6.1
2	To survive	73	34.1
3	Wish to work independently	38	17.8
4	Wish to be owner of property	69	32.2
5	Did not know what to do else	13	6.1
6	Other (please specify)	6	2.8
7	No answer	2	0.9

#### **Second choice**

Number	Name	Frequency	Percent
1	Wish to have profits		
2	To survive	1	0.5
3	Wish to work independently	9	4.2
4	Wish to be owner of property	6	2.8
5	Did not know what to do else	2	0.9
6	Other (please specify)	1	0.5
7	No answer	195	91.1

**B5. What was your main fear when starting your activity of farmer?**

**First choice**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	31	14.5
2	Lack of subsidies for the agricultural sector	24	11.2
3	Low prices for the local products	13	6.1
4	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	6	2.8
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	45	21.0
6	Difficulties in procuring transportation means, equipment	30	14.0
7	Too many fees, taxes and debts	1	0.5
8	Lack of long term loans at low interest rates	12	5.6
9	Too many taxes, custom fees, etc.	4	1.9
10	Lack of warehouse centers, problems in selling the products	16	7.5
11	Lack of centers for cultivation of land and for rendering services, etc.	6	2.8
12	No answer	26	12.1

**Second choice**

Number	Name	Frequency	Percent
1	Lack of subsidies for the agricultural sector	1	0.5
2	Low prices for the local products	4	1.9
3	Lack of protection of the local producer	1	0.5
4	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	1	0.5
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	9	4.2
6	Difficulties in procuring transportation means, equipment	53	24.8
7	Lack of long term loans at low interest rates	20	9.3
8	Too many taxes, custom fees, etc.	19	8.9
9	Lack of warehouse centers, problems in selling the products	17	7.9
10	Lack of centers of information and consultations	3	1.4
11	Lack of centers for cultivation of land and for rendering services, etc.	18	8.4
12	No answer	68	31.8

**Third choice**

Number	Name	Frequency	Percent
1	Difficulties in procuring fuel, chemical fertilizers, chemical means	1	0.5
2	Difficulties in procuring transportation means, equipment	5	2.3
3	Lack of long term loans at low interest rates	7	3.3
4	Too many taxes, custom fees, etc.	11	5.1
5	Lack of warehouse centers, problems in selling the products	20	9.3
6	Lack of centers of information and consultations	1	0.5
7	Lack of centers for cultivation of land and for rendering services, etc.	18	8.4
8	No answer	151	70.6

**B6. Were these fears justified?**

Number	Name	Frequency	Percent
1	Yes	167	78.1
2	No	31	14.5
3	No answer	16	7.5

**Please specify**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	5	2.3
2	Lack of subsidies for the agricultural sector	12	5.6
3	Low prices for the local products	38	17.8
4	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	4	1.9
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	16	7.5
6	Difficulties in procuring transportation means, equipment	18	8.4
7	Lack of long term loans at low interest rates	12	5.6
8	Too many taxes, custom fees, etc.	17	7.9
9	Lack of warehouse centers, problems in selling the products	16	7.5
10	Lack of centers for cultivation of land and for rendering services, etc.	4	1.9
11	No answer	72	33.6



## C. OBSTACLES IN YOUR ACTIVITY

Let us talk about the legal and administrative problems that you probably have faced. The results of the survey will be communicated to the Government which should lead to improved conditions for your activity. Think about the problems that you have faced. They may pertain to the fields of land market, taxation, finances, procurement of equipment, etc. Please provide specific examples.

### *Obstacles of a legal and regulating nature*

#### **C1. What do you think, the current laws of Moldova to a larger extent hinder or support your activity?**

Number	Name	Frequency	Percent
1	More hinder	78	36.4
2	More support	9	4.2
3	Do not affect in any way	72	33.6
4	Hard to say	53	24.8
5	No answer	2	1.0

#### **C2. If you believe that the laws hinder your activity which are the reasons?**

Number	Name	Frequency	Percent
1	Not very clear clauses, I don't understand much	33	15.4
2	There are contradictions between the laws and the instructions of ministries	21	9.8
3	Laws and instructions do not allow me to manage the enterprise as I want to – more rationally	21	9.8
4	The laws change too often	67	31.3
5	Other (please specify)	7	3.3
6	No answer	65	30.4

#### **Second choice**

Number	Name	Frequency	Percent
1	Not very clear clauses, I don't understand much		
2	There are contradictions between the laws and the instructions of ministries	2	0.9
3	Laws and instructions do not allow me to manage the enterprise as I want to – more rationally		
4	The laws change too often	18	8.4
5	Other (please specify)	1	0.5
6	No answer	193	90.2

***Obstacles of an administrative nature***

**C3. As a whole the local, regional and republican administration help you and your activity?**

Number	Name	Frequency	Percent
1	Yes	53	24.8
2	No	151	70.6
3	I do not know	10	4.6

***Obstacles in production***

**C4. Are there any laws, clauses, licenses or administrative procedures, which hinder your activity in cultivating plants or in production?**

For example, for the reconstruction of an orchard one needs many authorizations which hinder to work rationally.

Number	Name	Frequency	Percent
1	Yes	149	69.6
2	No	64	29.9
3	I do not know	2	1

**Please specify**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	3	1.4
2	Lack of subsidies for the agricultural sector	5	2.3
3	Low prices for the local products	1	0.5
4	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	2	0.9
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	1	0.5
6	Lack of long term loans at low interest rates	2	0.9
7	Too many taxes, custom fees, etc.	1	0.5
8	Control by respective bodies (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	13	6.1
9	Bureaucracy, corruption, theft	2	0.9
10	No law on vineyards and wine	21	9.8
11	Lack of warehouse centers, problems in selling the products	2	0.9
12	Lack of centers for information and consultation	7	3.3
13	Problems in certifying the products and lack of special labs	1	0.5
14	No answer	153	71.5

**C5. Do you possess enough equipment?**

Number	Name	Frequency	Percent
1	Yes	29	13.7
2	No	183	86.3
3	I do not know	2	0.9

**C6. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to procure equipment?**

For example some farmers said that the process of registration is too expensive because the prices on cars procured in accordance with the current procedures are extremely high.

Number	Name	Frequency	Percent
1	Yes	97	45.3
2	No	111	51.9
3	I do not know	7	2.8

**Please specify which kind:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	1	0.5
2	Lack of subsidies for the agricultural sector	6	2.8
3	Established level of minimum prices for the local products	30	14.0
4	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	43	20.1
5	Difficulties in procuring means of transportation and equipment	3	1.4
6	Lack of long term loans at low interest rates	16	7.5
7	Control by respective bodies (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	2	0.9
8	To revise the law on exports and the customs fees	1	0.5
9	Lack of centers for cultivation of land and for rendering services, etc.	1	0.5
10	No answer	111	51.9

**C7. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to procure required fertilizers, pesticides, fuel, seeds, etc.?**

Thus until recently private suppliers had difficulties in obtaining license for selling chemical compounds and respectively farmers had to buy from one supplier – Fertilitate.

The ban of the Government on imports of certain types of seeds that are lacking in Moldova can serve as an example of a problem of a legislative nature.

Number	Name	Frequency	Percent
1	Yes	120	56.1
2	No	91	42.5
3	I do not know	3	1.4

**Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, frequent changes in the tax procedures	1	0.5
2	Lack of subsidies for the agricultural sector	31	14.5
3	Established level of minimum prices for the local products	26	12.1
4	Protection of local producer	1	0.5
5	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	1	0.5
6	Difficulties in procuring fuel, chemical fertilizers, chemical means	29	13.6
7	Lack of long term loans at low interest rates	5	2.3
8	Control by respective bodies (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	2	0.9
9	To revise the law on exports and the customs fees	2	0.9
10	Lack of centers for information and consultation	1	0.5
11	No answer	115	53.7

***Market obstacles***

***C8. Did you face problems in selling your products?***

Number	Name	Frequency	Percent
1	Yes	66	30.8
2	No	148	69.2
3	No answer	1	0.5

**Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	1	0.5
2	Lack of subsidies for the agricultural sector	1	0.5
3	Low prices for the local products	62	29.0
4	Lack of protection of local producer	8	3.7
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	5	2.3
6	Difficulties in procuring means of transportation and equipment	1	0.5
7	Too many fees, taxes and debts	1	0.5
8	Too many taxes, custom fees, etc.	2	0.9
9	Control of the number of audits (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	5	2.3
10	To revise the law on exports and the customs fees	1	0.5
11	Lack of warehouse centers, problems in selling the products	54	25.2
12	Lack of centers for information and consultation	1	0.5
13	Problems in certifying the products and lack of special labs	5	2.3
14	No answer	67	31.3

**C9. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to transporting/selling your products on the territory of the Republic of Moldova?**

For example they say there are cases when the regional administration does not allow import on its territory and selling agricultural products from a different region on the local market. Can you name obstacles of an regulatory or administrative nature which you face when trying to sell your products with a higher income?

Number	Name	Frequency	Percent
1	Yes	153	71.5
2	No	58	27.1
3	I do not know	3	1.4

**Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	1	0.5
2	Lack of subsidies for the agricultural sector	1	0.5
3	Low prices for the local products	16	7.5
4	Lack of protection of local producer	1	0.5
5	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	2	0.9
6	Difficulties in procuring fuel, chemical fertilizers, chemical means	5	2.3
7	Too many fees, taxes and debts	1	0.5
8	Too many taxes, custom fees, etc.	3	1.4
9	Control by respective bodies (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	18	8.4
10	Bureaucracy, corruption	2	0.9
11	Law on exports and the customs fees	1	0.5
12	Lack of warehouse centers, problems in selling the products	3	1.4
13	Problems in certifying the products and lack of special labs	7	3.3
14	No answer	153	71.5

**C10. Are there any laws, clauses, or administrative procedures which throw obstacles in the way to exporting your products?**

For example we were told by farmers that the process of exporting is very difficult and unclear: they do not know what forms are to be filled in and that certain certificates are in no logical connection with the respective products. Can you name laws or instructions or other constraints that hinder the export of your products?

Number	Name	Frequency	Percent
1	Yes	126	58.9
2	No	83	38.8
3	I do not know	5	2.3

**Please specify:**

Number	Name	Frequency	Percent
1	Lack of subsidies for the agricultural sector	1	0.5
2	Established level of minimum prices for the local products	1	0.5
3	Too many fees, taxes and debts	1	0.5
4	Control by respective bodies (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	3	1.4
5	Bureaucracy, corruption, theft	3	1.4
6	To revise the law on exports and the customs fees	74	34.6
7	Lack of warehouse centers, problems in selling the products	1	0.5
8	Problems in certifying the products and lack of special labs	1	0.5
9	No answer	129	60.3

***Obstacles to do with control***

**Tell us please which control bodies and how many times you have visited a year?**

Times a year	Tax inspectorate	Economic police	Fireman inspectorate	Inspection of electric network	Sanitary and epidemiologic station	Technical inspectorate	Other (specify)
1	54	16	27	10	15	15	5
2	47	9	10	7	4	12	
3	14	1	3	6	1	2	1
4	17	3	3	8	6	7	
5	1			1	1	1	
6	16	2		6	1		
7	1						
8	2	3		1	1	1	
9				1			
10	1	1		2	2		
12	15	3	1	26			
13	1						
14	1						

### *Obstacles of a financial nature*

#### **C19. Are there any problems related to the legislation and taxation practices?**

For example some farmers have complained that in accordance with the law they have to pay a part of the taxes in spring when they have very little or no money at all. Other farmers have complained that the tax inspectors do not allow to take into account the expenditures and as a result the amounts of taxes are too high. Do you have some particular problems related to taxation? If yes please specify which ones. The government intends to solve these problems.

Number	Name	Frequency	Percent
1	Yes	61	28.5
2	No	151	70.6
3	I do not know	2	0.9

#### **Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	83	38.8
2	Lack of subsidies for the agricultural sector	2	0.9
3	Low prices for the local products	2	0.9
4	Lack of long term loans at low interest rates	1	0.5
5	Too many taxes, custom fees, etc.	50	23.4
6	Control on the number of audits (tax authorities, economic police, financial guard, customs controls, local and regional administration, etc.)	10	4.7
7	Bureaucracy, corruption	1	0.5
8	To revise the law on exports and the customs fees	1	0.5
9	Lack of centers for information and consultation	3	1.4
10	Complicated accountability documents	3	1.4
11	No answer	58	27.1

#### **C20. Did you take loans in 1998?**

Number	Name	Frequency	Percent
1	Yes	190	88.8
2	No	23	10.7
3	I do not know	1	0.5

#### **C21. If yes did you repay the loans?**

Number	Name	Frequency	Percent
1	Yes	19	8.9
2	No	33	15.4
3	I do not know	162	75.7



**C22. If you did not take loans– for what reason?**

Number	Name	Frequency	Percent
1	The interest rate is too high	116	54.2
2	I could not take a loan because my property can not serve as a collateral	51	23.8
3	Other	26	12.1
4	No answer	21	9.9

***Obstacles of an informational nature*****C23. Do you receive consultations which you need (for example on using the chemical compounds, on prices and conditions of marketing the products, on the organization of activity of an enterprise, etc.)?**

Number	Name	Frequency	Percent
1	Yes	56	26.2
2	No	140	65.4
3	I do not need consultations	16	7.5
4	No answer	2	0.9

***Other obstacles which you can recall*****C24. To which extent are you informed about the legislation of the Republic of Moldova on the farming activity?**

Number	Name	Frequency	Percent
1	Good	12	5.6
2	Satisfactory	87	40.7
3	Unsatisfactory	112	52.3
4	No answer	3	1.4

**C25. In general which laws, clauses and administrative procedures are a problem for you?**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	85	39.7
2	Lack of subsidies for the agricultural sector	13	6.1
3	Low prices for the local products	5	2.3
4	Protection of local producer	2	0.9
5	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	1	0.5
6	Difficulties in procuring fuel, chemical fertilizers, chemical means	4	1.9
7	Difficulties in procuring means of transportation and equipment	2	0.9
8	Lack of long term loans at low interest rates	5	2.3
9	Too many taxes, custom fees, etc.	10	4.7
10	A big number of audits (tax authorities, economic police, financial	2	0.9

	guard, customs controls, local and regional administration, etc.)		
11	Bureaucracy, corruption, theft	1	0.5
12	Lack of warehouse centers, problems in selling the products	1	0.5
13	Lack of centers for information and consultation	23	10.7
14	Lack of centers for cultivation of land and for rendering services, etc.	1	0.5
15	Complicated accountability documents	1	0.5
16	No answer	58	27.1

### Second choice

Number	Name	Frequency	Percent
1	Lack of subsidies for the agricultural sector	2	0.9
2	Difficulties in procuring fuel, chemical fertilizers, chemical means	2	0.9
3	Lack of long term loans at low interest rates	3	1.4
4	Lack of warehouse centers, problems in selling the products	5	2.3
5	Lack of centers for information and consultation	1	0.5
6	Lack of centers for cultivation of land and for rendering services, etc.	1	0.5
7	No answer	200	93.5

## D. RESULTS OF ACTIVITY, CONCLUDING INFORMATION

### D1. Which are your plans for the nearest 12 years? (name all that you find necessary)?

Number	Name	Frequency	Percent
1	To remain peasant like today	92	43.0
2	Expand activity	37	17.3
3	Join an association	61	28.5
4	Stop agricultural activity	14	6.5
5	Other (specify – what)	8	3.7
6	No answer	2	0.9

### Second choice

Number	Name	Frequency	Percent
1	To remain peasant like today		
2	Expand activity	2	0.9
3	Join an association	13	6.1
4	Stop agricultural activity		
5	Other (specify – what)	3	1.4
6	No answer	196	91.6

**D2. Which three basic decisions in your opinion should be adopted by the Government of the Republic of Moldova for improving your farming activity?**

Number	Name	Frequency	Percent
1	Establishing market relation in supply of fuel, fertilizers, etc.	99	18.4
2	Support for the agricultural sector	83	15.4
3	Long term loans at low interest rates	74	13.7
4	Creation of centers for purchasing agricultural goods	69	12.8
5	Reduction of taxes, custom fees, etc.	53	9.8
6	Assistance in procuring means of transportation and equipment	45	8.3
7	Assuring the stability of legal base, changing the tax procedures	30	5.6
8	Setting up enterprises for land farming	23	4.3
9	Protection of local producers	18	3.4
10	Protection of local prices	16	3.1
11	Setting up consulting centers	14	2.6
12	Revising the law of exports, custom duties	6	1.1
13	Attracting foreign investors	4	0.7
14	Diminishing the burden of audit bodies	1	0.2
15	Fighting corruption, bureaucracy	1	0.2
16	Simplification of accounting	1	0.2
17	Solving the problem of certification of goods	1	0.2
	Total	538	100

**Region**

Number	Name	Frequency	Percent
1	North	68	31.8
2	Center	97	45.3
3	South	49	22.9

## (2) QUESTIONNAIRE FOR THE FARMER LEADERS (that are included in “Land Project”)

A. PROFILE OF THE ENTERPRISE. PLEASE GIVE SOME INFORMATION  
ON YOUR ACTIVITY.

### A1. When was your enterprise set up?

Number	Name	Frequency	Percent
1	Before 1997	10	16.4
2	Part of pilot-project “Nisporeni”	7	11.5
3	1997-1998	44	72.1

### A2. How long did it take to register your enterprise (starting with the preparation of documents and to their signature)?

Number	Name	Frequency	Percent
1	Less that one month	16	26,2
2	1 - 3 months (included)	23	37.7
3	4 - 6 months (included)	10	16.4
4	Over 6 months	11	18.0
5	Not registered	1	1.6

### A3. Did you face any difficulties during the registration of your enterprise? For example, did it take too long, dd you have to pay high fees, did you have to visit too many institutions?

Number	Name	Frequency	Percent
1	Yes	18	29.5
2	No	41	67.2
3	No answer	2	3.3

### A4. If Yes, please specify:

Number	Name	Frequency	Percent
1	Bureaucratic procedures for registering the enterprise, means of transportation, equipment	18	29.5
2	Payment of taxes and debts	2	3.3
3	No answer	41	67.2

### A5. Have you had any problems when registering the transportation means, equipment? For example did it take too long, did you have too pꝑ too high fees, did you have to visit too many institutions?

Number	Name	Frequency	Percent
1	No	18	29.5
2	Yes	43	70.5
3	No answer		

**Please specify:**

Number	Name	Frequency	Percent
1	Bureaucratic procedures for registering the enterprise, means of transportation, equipment and machinery	36	87.8
2	Payment of registration	5	12.2
3	Total	41	100

**The size of your enterprise (farm, household)?**

**A6. Number of owners, persons**

Number	Name	Frequency	Percent
1	1-6	17	27.9
2	7-100	18	29.5
3	> 100	24	39.3
4	No answer	2	3.3

**A7. Number of employees, persons**

Number	Name	Frequency	Percent
1	1-10	10	16.4
2	11-100	15	24.6
3	> 100	17	27.9
4	No answer	19	31.1

**A8. Surface of agricultural land, ha**

Number	Name	Frequency	Percent
1	1-100 ha	17	27.9
2	101-500 ha	28	45.9
3	501-1000 ha	6	9.8
4	> 1000	10	16.4

**B. PERSONALITY OF THE FARMER LEADER**

**B1. Your age:**

Number	Name	Frequency	Percent
1	Under 30		
2	30-39	12	19.7
3	40-9	37	60.7
4	50-59	9	14.8
5	501-1000 ha	2	3.3
6	No answer	1	1.6

**B2. Gender:**

Number	Name	Frequency	Percent
1	Male	56	91.8
2	Female	5	8.2

**B3. Education:**

Number	Name	Frequency	Percent
1	No education		
2	Primary	2	3.3
3	General secondary	5	8.2
4	Vocational secondary	20	32.8
5	Higher	32	52.5
6	Incomplete higher	2	3.3

**B4. What made you create your enterprise, start your business?**

Number	Name	Frequency	Percent
1	Wish to have profits	9	14.7
2	To survive	15	24.5
3	Wish to work independently	10	16.4
4	Wish to be owner of property, landowner	28	45.9
5	Did not know what to do else	1	1.6
6	Other (please specify)	3	4.9
7	No answer	1	1.6
8	Total	61	110.5

**B5. What was your main fear when starting your activity of farmer?**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in tax procedures	16	16.8
2	Lack of subsidies for the agricultural sector	14	14.7
3	Low prices for local products	12	12.6
4	Protection of local producer		
5	Bureaucratic procedures for registering the enterprise, means of transportation, equipment and <b>agricultural implements</b>	2	2.1
6	Difficulties in procuring fuel, chemical fertilizers, chemical means	22	23.1
7	Difficulties in procuring transportation means, equipment, agricultural (input) implements	15	15.8
8	Payment of many custom fees, taxes and debts	9	9.5
9	Lack of long term loans at low interest rates	2	2.1
10	Too many taxes, customs fees and other fees	3	3.3
	Total	95	100

**B6. Were these fears justified?**

Number	Name	Frequency	Percent
1	Yes	44	72.1
2	No	13	21.3
3	No answer	1	6.6

**Please, specify:**

Number	Name	Percent
1	Instability of prices	16.8
2	Difficulties in procuring fuel	14.7
3	Lack of subsidies (encouragement), support for the agricultural sector	12.6
4	Lack of transportation means and equipment	
5	Lack of loans	2.1
6	Bureaucratic procedures for registering, too many taxes, corruption	23.1

**1. Obstacles in your activity**

Lets us talk now about the legal and administrative problems, that you probably have faced. The results of the survey will be communicated to the Government and will further lead to the improvement of conditions for your activity. Think about the problems that you have faced. They may be from the fields of land market, taxation, finances, procurement of agricultural equipment, etc. Please provide specific examples.

***Obstacles of a legal and regulating nature*****C1. What to you think, to a larger extent the current legislation of Moldova hinder or support your activity?**

Number	Name	Frequency	Percent
1	More hinder	27	44.3
2	More support	3	4.9
3	Do not affect in any way	19	31.1
4	Hard to answer	12	19.7
5	No answer		

**C2. If you believe that the legislation hinder your activity which are the reasons?**

Number	Name	Frequency	Percent
1	Not very clear clauses, I don't understand much	5	8.2
2	There are contradictions between the laws and the instructions of ministries	4	6.6
3	Laws and instructions do not allow me to manage the enterprise as I want to – more rationally	11	18.0
4	The laws change too often	23	37.7
5	Other (please specify)	6	9.8
6	No answer	12	19.7

### **Second choice**

Number	Name	Frequency	Percent
1	Not very clear clauses, I don't understand much		
2	There are contradictions between the laws and the instructions of ministries		
3	Laws and instructions do not allow me to manage the enterprise as I want to – more rationally	1	1.6
4	The laws change too often	7	11.5
5	Other (please specify)	2	3.3
6	No answer	51	83.6

### ***Obstacles of an administrative nature***

**C3. As a whole the local, regional and republican administration help you and your activity?**

Number	Name	Frequency	Percent
1	Yes	20	32.8
2	No	38	62.3
3	I do not know	3	4.9

### ***Obstacles in production***

**C4. Are there any laws, clauses, licenses or administrative procedures, which hinder your activity in cultivating plants or in production?**

For example, for the reconstruction of an orchard one needs many authorizations which hinder farmers to change the range of production.

Number	Name	Frequency	Percent
1	Yes	35	57.4
2	No	26	42.6
3	I do not know		



**Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	5	8.2
2	Subsidies for the agricultural sector	1	1.6
3	Establishing the level of lowest prices for the local products	1	1.6
4	Bureaucratic procedures for registering the enterprise, means of transportation, equipment and agricultural implements	1	1.6
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	1	1.6
6	Too much control	3	3.3
7	Bureaucracy, corruption, theft	1	1.6
8	No law on export	2	3.3
9	Imperfection of law on vineyards and wine	9	14.8
10	The authorization for the retail trade is issued for less than one year	1	1.6
11	No answer	36	59.0

**C5. Do you possess enough equipment?**

Number	Name	Frequency	Percent
1	Yes	22	36.1
2	No	39	63.9
3	No answer		

**C6. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to procure equipment?**

For example some farmers said that the process of registration is too expensive because the prices on cars procured in accordance with the current procedures are extremely high.

Number	Name	Frequency	Percent
1	Yes	37	60.7
2	No	24	39.3
3	No answer		

**Please specify which kind:**

Number	Name	Frequency	Percent
1	Low prices for the local products	5	13.9
2	Bureaucratic procedures for registering the enterprise, means of transportation, equipment and agricultural implements	22	36.1
3	Difficulties in procuring fuel, fertilizers and chemical means	4	6.6
4	Payment of taxes, debts and other fees	1	1.6
5	Lack of long term loans at low interest rates	2	3.3
6	Too many taxes, customs fees and other fees	1	1.6
7	Regulating the control by respective bodies (tax authorities, financial guard, economic police, customs controls, local and regional administration, etc.)	1	1.6

**C7. Are there any laws, clauses or administrative procedures that create obstacles in procuring the required fertilizers, pesticides, fuel, seeds, etc. needed for agricultural production?**

Thus until recently private suppliers had difficulties in obtaining license for selling chemical compounds and respectively, farmers had to buy from only one supplier – Fertilitate.

The ban of the Government on imports of certain types of seeds that are lacking in Moldova can serve as an example of a problem of a legislative nature.

Number	Name	Frequency	Percent
1	No	29	47.5
2	Yes	32	52.5
3	No answer		

### ***Market obstacles***

**C8. Did you face problems in selling your products?**

Number	Name	Frequency	Percent
1	No	18	29.5
2	Yes	43	70.5
3	No answer		

**Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	1	1.6
2	Lack of subsidies for the agricultural sector	1	1.6
3	Low prices for the local products	24	39.3
4	Lack of protection of local producer	4	6.6
5	Difficulties in procuring fuel, chemical fertilizers, chemical means	1	1.6
6	The law on exports and the customs fees	6	9.8
7	The law on vineyards and wine		
8	Lack of warehouse centers, problems in selling the products	7	11.5
9	No answer	17	27.9

**C9. Are there any laws, clauses, licenses or administrative procedures which create obstacles for transporting/selling your products on the territory of the Republic of Moldova?**

For example they say there are cases when the regional administration does not allow import on its territory and selling agricultural products from a different region on the local market. Can you name obstacles of an regulatory or administrative nature which you face when trying to sell your products with a higher income?

Number	Name	Frequency	Percent
1	No	40	65.6
2	Yes	21	34.4
3	No answer		

**Please specify:**

Number	Name	Frequency	Percent
1	Instability of the legal framework, often changes in the tax procedures	1	1.6
2	Lack of subsidies for the agricultural sector	1	1.6
3	Low prices for the local products	2	3.3
4	Lack of protection of local producer	1	1.6
5	Bureaucratic procedures for registering the enterprise, means of transportation, equipment, taxes	2	3.3
6	Difficulties in procuring fuel, chemical fertilizers, chemical means	5	8.2
7	Too many fees, taxes and debts	1	1.6
8	Control by respective bodies (tax authorities, financial guard, economic police, customs controls, local and regional administration, etc.)	1	1.6
9	Law on exports and the customs fees	5	8.2
10	No answer	42	68.9

**C10. Are there any laws, clauses, or administrative procedures which create obstacles in exporting your products?**

For example we were told by farmers that the process of exporting is very difficult and unclear: they do not know what forms are to be filled in and that certain certificates are in no logical connection with the respective products. Can you name laws or instructions or other constraints that hinder the export of your products?

Number	Name	Frequency	Percent
1	No	31	50.8
2	Yes	26	42.6
3	No answer	4	6.6

**Please specify:**

Number	Name	Frequency	Percent
1	Bureaucratic procedures for registering the enterprise, means of transportation, equipment, taxes	1	1.6
2	Control by respective bodies (tax authorities, financial guard, economic police, customs controls, local and regional administration, etc.)	1	1.6
3	Bureaucracy, corruption, theft	1	1.6
4	The law on exports and the customs fees	20	32.8
5	No answer	38	62.3

***Obstacles relating to control***

**Tell us please which control bodies and how many times visited you during a year?**

Times per year	Tax inspecto rate	Econom ic police	Fireman inspecto rate	Inspecti on of electric network	Sanitary and epidemi ologic station	Techn ical inspecto rate	Other (specify)
1	9	9	11	2	5	17	5
2	12	10	15	4	13	13	2
3	2	2	2	2	4	5	1
4	8	4	4	7	3	2	
5	2	2	1	2		1	
6	6	2		2			3
7							
8				1	2		
9							
10	1	1	2	2		2	1
12	10	1	3	9	3		
15	1				1		
20	1		1				
24				2			
50				2			

### *Obstacles of a financial nature*

#### **C19. Are there any problems relating to the legislation and taxation practice?**

For example some farmers have complained that in accordance with the law they have to pay a part of the taxes in spring when they have very little or no money at all. Other farmers have complained that the tax inspectors do not allow to take into account the expenditures and as a result the amounts of taxes are too high. Do you have some particular problems related to taxation? If yes please specify which ones. The government intends to solve these problems.

Number	Name	Frequency	Percent
1	No	16	26.2
2	Yes	45	73.8
3	No answer		

#### **Please specify which ones:**

Number	Name	Frequency	Percent
1	Instability of the legal framework	40	65.6
2	Lack of subsidies for the agricultural sector	2	3.3
3	Payment of taxes, fees and debts	1	1.6
4	Too many taxes, custom fees and other fees	4	6.6
5	No answer	14	23.0

#### **C20. Did you take loans in 1998?**

Number	Name	Frequency	Percent
1	No	45	73.8
2	Yes	16	26.2
3	No answer		

#### **C21. If yes, did you repay the loan?**

Number	Name	Frequency	Percent
1	Yes	10	16.4
2	No	13	21.3
3	No answer	38	62.3

#### **C22. If you did not take loans– for what reason?**

Number	Name	Frequency	Percent
1	The interest rate is too high	32	52.5
2	I could not take a loan because my property can not serve as a collateral	7	11.5
3	Other	7	11.5
4	No answer	15	24.6

*Obstacles of an informational nature*

**C23. Do you receive consultations which you need (for example on using the agrochemical compounds, on prices and conditions of marketing the products, on the organization of activity of an enterprise etc.)?**

Number	Name	Frequency	Percent
1	Yes	23	37.7
2	No	29	47.5
3	I do not need consultations	8	13.1
4	No answer	1	1.6

*Other obstacles which you can recall*

**C24. To which extent are you informed about the legislation of the Republic of Moldova on the farming activity?**

Number	Name	Frequency	Percent
1	Good	8	13.1
2	Satisfactory	34	55.7
3	Unsatisfactory	19	31.1
4	No answer		

**D. RESULTS OF ACTIVITY, CONCLUDING INFORMATION**

**D1. Which are your plans for the nearest 12 years? (name all that you find necessary)?**

Number	Name	Frequency	Percent
1	To remain peasant like today	26	42.6
2	Expand owns activity	21	34.4
3	Join an association	3	4.9
4	Stop agricultural activity	4	6.6
5	Other (specify – what)	7	11.5
6	No answer		

**Second choice**

Number	Name	Frequency	Percent
1	To remain peasant like today		
2	Expand owns activity	3	4.9
3	Join an association	1	1.6
4	Stop agricultural activity	1	1.6
5	Other (specify – what)		
6	No answer	56	91.8

**D2. Which three basic decisions in your opinion should be adopted by the Government of the Republic of Moldova for improving your farming activity?**

Number	Name	Frequency	Percent
1	Assistance in supplying with fuel, fertilizers, etc.	25	15.7
2-4	Assuring the stability of legislation, changing the procedures, reducing the taxes	23	14.5
2-4	Protection of prices on local products	23	14.5
2-4	Long term loans at low interest rates	23	14.5
5	Support for the agricultural sector	14	8.8
6	Reduction of taxes, custom fees, etc.	10	6.3
7	Protection of local producer	9	5.7
8	Creation of centers for purchasing agricultural goods	7	4.4
9	Assistance in procuring means of transportation and equipment	6	3.8
10	The facilitate the law on exports, custom duties	5	3.1
11	Setting up information/consulting centers	4	2.5
12-13	Diminishing the control	3	1.9
12-13	Attracting foreign investors	3	1.9
14	Setting up centers for land farming	2	1.2
15-16	Fighting corruption, bureaucracy	1	0.6
15-16	Increasing the telecommunication network in rural areas	1	0.6
		159	100.0

**Region**

Number	Name	Frequency	Percent
1	North	16	26.2
2	Center	25	41.0
3	South	20	32.8

### (3) QUESTIONNAIRE FOR THE ENTREPRENEURS/RURAL SMALL BUSINESS

#### A. PROFILE OF THE ENTREPRENEURS. PLEASE COMMUNICATE SOME INFORMATION ON YOUR ACTIVITY.

##### A1. When was your enterprise set up?

Number	Name	Frequency	Percent
1	Before 1997	109	54.2
2	1997 – 1998	88	43.8
3	No answer	4	2.0

##### A2. What was your main concern when starting your business?

###### Firsts choice

Number	Name	Frequency	Percent
1	Financial problems and lack of investments	64	31.8
2	Problems in marketing the products, markets, procurements	10	5
3	Unsatisfactory provision with equipment, seeds, chemical compounds, fuel and oils, spare parts, cashier's machines	22	10.9
4	Taxes	23	11.4
5	Relationship between enterprises and tax authorities	1	0.5
6	Prices on electricity and fuels; high rents for equipment and buildings	5	2.5
7	Bureaucracy, corruption during the registration of enterprises	4	2
8	Frequent changes to the laws	9	4.5
9	Low prices on agricultural products	1	0.5
10	Instability of the market	4	2
11	Bankruptcy	3	1.5
12	Lack of support for the businessmen, lack of mechanisms of protection of private property	1	0.5
13	No demand for products	1	0.5
14	Monetary instability	3	1.5
15	Lack of consultations on doing business	5	2.5
16	Reorganization of the enterprise	2	1
17	I will not receive the due part of the property	1	0.5
18	Political instability	3	1.5
19	Unfair distribution of land	1	0.5
20	<b>Complicated procedures of registration</b>	38	18.9



**A2. Second choice**

Number	Name	Frequency	Percent
1	Financial problems and lack of investments	13	6.5
2	Problems in marketing the products, markets, procurements	21	10.4
3	Unsatisfactory provision with equipment, seeds, chemical compounds, fuel and oils, spare parts, cashier's machines	27	13.4
4	Taxes	18	9
5	Relationship between enterprises and tax authorities	2	1
6	Prices on electricity and fuels; high rents for equipment and buildings	11	5.5
7	Bureaucracy, corruption during the registration of enterprises	3	1.5
8	Often changes to the laws	2	1
9	Low prices on agricultural products	1	0.5
10	Instability of the market	4	2
11	Bankruptcy		
12	Lack of support for the businessmen, lack of mechanisms of protection of private property	3	1.5
13	No demand for products	3	1.5
14	Monetary instability	3	1.5
15	Lack of consultations on doing business	7	3.5
16	Reorganization of the enterprise		
17	I will not receive the due part of the property		
18	Political instability	1	0.5
19	Unfair distribution of land		
20	Complicated procedures of registration	1	0.5

### A2. Third choice

Number	Name	Frequency	Percent
1	Financial problems and lack of investments	6	3
2	Problems in marketing the products, markets, procurements	5	2.5
3	Unsatisfactory provision with equipment, seeds, chemical compounds, fuel and oils, spare parts, cashier's machines	11	5.5
4	Taxes	7	3.5
5	Relationship between enterprises and tax authorities	2	1
6	Prices on electricity and fuels; high rents for equipment and buildings	7	3.5
7	Bureaucracy, corruption during the registration of enterprises		
8	Frequent changes to the laws	1	0.5
9	Low prices on agricultural products	2	1
10	Instability of the market	2	1
11	Bankruptcy		
12	Lack of support for the businessmen, lack of mechanisms of protection of private property	1	0.5
13	No demand for products	2	1
14	Monetary instability	1	0.5
15	Lack of consultations on doing business	2	1
16	Reorganization of the enterprise		
17	I will not receive the due part of the property		
18	Political instability	2	1
19	Unfair distribution of land		
20	Complicated procedures of registration		

### Summary table

Number	Name	Frequency first choice	Second choice	Third choice	Sum
1	Financial problems and lack of investments	64	13	6	83
2	Problems in marketing the products, markets, procurements	10	21	5	36
3	Unsatisfactory provision with equipment, seeds, chemical compounds, fuel and oils, spare parts, cashier's machines	22	27	11	60
4	Taxes	23	18	7	48

5	Relationship between enterprises and tax authorities	1	2	2	5
6	Prices on electricity and fuels; high rents for equipment and buildings	5	11	7	23
7	Bureaucracy, corruption during the registration of enterprises	4	3	0	7
8	Often changes to the laws	9	2	1	12
9	Low prices on agricultural products	1	1	2	4
10	Instability of the market	4	4	2	10
11	Bankruptcy	3	0	0	3
12	Lack of support for the businessmen, lack of mechanisms of protection of private property	1	3	1	5
13	No demand for products	1	3	2	6
14	Monetary instability	3	3	1	7
15	Lack of consultations on doing business	5	7	2	14
16	Reorganization of the enterprise	2	0	0	2
17	I will not receive the due part of the property	1	0	0	1
18	Political instability	3	1	2	6
19	Unfair distribution of land	1	0	0	1
20	Complicated procedures of registration	0	1	0	1
					334

### A3. Were these concerns justified?

Number	Name	Frequency	Percent
1	No	40	19.9
2	Yes	141	70.1
3	No answer	20	10.0

### Please specify. I faced the following obstacles:

Number	Name	Frequency	Percent
1	High customs fees	3	1.5
2	Unclear decisions of the economic court	1	0.5
3	High prices on fuel	30	14.9
4	Bureaucracy in getting various documents	5	2.5
5	High taxes	18	9.0
6	Frequent changes to the laws	4	2.0
7	Instability of the market	8	4.0
8	Lack of possibilities to certify products	1	0.5
9	Lack of support for businessmen	3	1.5
10	Low prices on agricultural products	2	1.0
11	Difficulties in obtaining loans	4	2.0
	No answer	122	60.7

**A4. What is the organizational form of your enterprise?**

Number	Name	Frequency	Percent
1	Individual enterprise	86	42.8
2	Cooperative	7	3.5
3	Society with Limited Responsibility	68	33.8
4	Joint Stock	26	12.9
5	Other	14	7.0

**A5. What kind of activity you carry out?****Main activity**

Number	Name	Frequency	Percent
1	Services (technical, chemical, etc.)	63	31.3
2	Processing of agricultural goods	46	22.9
3	Production of food (bread, vegetable oil, juices, etc.)	28	13.9
4	Warehousing	25	12.4
5	Trade	26	12.9
6	Other (specify)	12	6.0
7	No answer	1	0.5

**First additional activity**

Number	D. Name	Frequency	Percent
1	Services (technical, chemical, etc.)		
2	Processing of agricultural goods	6	3.0
3	Production of food (bread, vegetable oil, juices, etc.)	20	10.0
4	Warehousing	9	4.5
5	Trade	28	13.9
6	Other (specify)	5	2.5
7	No answer	133	66.2

**Second additional activity**

Number	Name	Frequency	Percent
1	Services (technical, chemical, etc.)		
2	Processing of agricultural goods		
3	Production of food (bread, vegetable oil, juices, etc.)	3	1.5
4	Warehousing	8	4.0
5	Trade	12	6.0
6	Other (specify)	1	0.5
7	No answer	177	88.1

**Third additional activity**

Number	Name	Frequency	Percent
1	Services (technical, chemical, etc.)		
2	Processing of agricultural goods		
3	Production of food (bread, vegetable oil, juices, etc.)		
4	Warehousing	1	0.5
5	Trade	8	4.0
6	Other (specify)		
7	No answer	192	95.5

**What is the size of your enterprise?****A6. Number of employees, persons**

Number	Name	Frequency	Percent
1	Under 20	120	59.7
2	20 to 70	38	18.9
3	Over 70	40	19.9
4	No answer	3	1.5

**A7. Surface of production premises, square meters**

Number	Name	Frequency	Percent
1	1 – 100	62	30.8
2	101 – 500	54	26.9
3	Over 500	39	19.4
4	No answer	46	22.9

**A8. What is the monthly turnover? (lei/month)**

Number	Name	Frequency	Percent
1	Under 10,000	88	43.8
2	10,000 – 100,000	60	29.9
3	100,000 – 500,000	21	10.4
4	Over 500,000	8	4.0
5	No answer	24	11.9

**A9. Did you face some difficulties during the registration of your enterprise? For example, did it take too long, you had to pay high fees, you had to visit too many institutions?**

Number	Name	Frequency	Percent
1	Yes	108	53.7
2	NO	80	39.8
3	No answer	13	6.5

**A4. If Yes, please specify:**

Number	Name	Frequency	Percent
1	Too many formalities	64	31.8
2	High fees for licenses and documents	18	9.0
3	No answer	119	59.2

**Since you have started your business activity you procured or rented the following:**

		Quantity	Procured		Rented	
			Frequency	Percent	Frequency	Percent
<b>A10.</b>	Production premises	1/1-100	18	9.0	39	19.4
		2/101-500	21	10.4	27	13.4
		3/over 500	8	4.0	11	5.5
		no answer	154	76.6	124	61.7
<b>A11.</b>	Transport	1	29	14.4	21	10.4
		2	13	6.5	8	4.0
		3 and more	24	12.0	17	8.5
		no answer	135	67.2	155	77.1
<b>A12.</b>	Technical equipment (pieces)	1	18	9.0	4	2.0
		2	12	6.0	6	3.0
		3 and more	34	17.0	19	9.5
<b>A13.</b>	Land (ha)	Under 2	8	4.0	4	2.0
		2-5	6	3.0	4	2.0
		over 5	3	1.5	44	21.9

#### **A14. Renovated/built production premises?**

Number	Name	Frequency	Percent
1	Yes	103	51.2
2	NO	91	45.3
3	No answer	7	3.5

### **PERSONALITY OF THE BUSINESSMAN**

#### **B1. Your age**

Number	Name	Frequency	Percent
1	Under 30	11	5.5
2	30-39	53	26.4
3	40-49	96	47.8
4	50-59	35	17.4
5	Over 60	5	3.0

#### **B2. Gender**

Number	Name	Frequency	Percent
1	Male	168	83.6
2	Female	33	16.4

#### **B3. Education**

Number	Name	Frequency	Percent
1	No education		
2	Primary	2	1.0
3	General secondary	16	8.0
4	Vocational secondary	65	32.3
5	Higher	116	57.7
6	Incomplete higher	2	1.0

**B4. Where did you work before starting your current activity?**

Number	Name	Frequency	Percent
1	Agriculture	100	49.8
2	<b>Industry and construction</b>	25	12.4
3	Social sector (healthcare, education, culture)	13	6.5
4	Trade	33	16.4
5	Local administration	10	5.0
6	Other sectors (specify)	19	9.5
7	No answer	1	0.5

**B5. What made you create your enterprise, start your business?**

Number	Name	Frequency	Percent
1	Wish to have revenues	53	26.4
2	To survive	36	17.9
3	Wish to work independently	44	21.9
4	Wish to be owner of property	55	27.4
5	Did not know what to do else	6	3.0
6	Other (please specify)	7	3.5

**Second choice**

Number	Name	Frequency	Percent
1	Wish to have revenues		
2	To survive	2	1.0
3	Wish to work independently	8	4.0
4	Wish to be owner of property	27	13.4
5	Did not know what to do else	2	1.0
6	Other (please specify)		
7	No answer	162	80.6

**OBSTACLES IN YOUR ACTIVITY**

Let us talk about the legal and administrative problems that you probably have faced. The results of the survey will be communicated to the Government which should lead to improved conditions for your activity. Think about the problems that you have faced. They may pertain to the fields of land market, taxation, finances, procurement of equipment, etc. Please provide specific examples.

***Regulatory obstacles*****C1. What do you think, the current laws of Moldova to a larger extent hinder or support your activity?**

Number	Name	Frequency	Percent
1	More hinder	108	53.7
2	More support	6	3.0
3	Do not affect in any way	45	22.4
4	Hard to say	42	20.9

**C2. If you believe that the laws hinder your activity which are the reasons?**

Number	Name	Frequency	Percent
1	Not very clear clauses, I don't understand much	18	9.0
2	There are contradictions between the laws and the instructions of ministries	36	17.9
3	Laws and instructions do not allow me to manage the enterprise as I want to – more rationally	27	13.4
4	The laws change too often	67	33.3
5	Other (please specify)	9	4.5
6	No answer	44	21.9

**Second choice**

Number	Name	Frequency	Percent
1	Not very clear clauses, I don't understand much		
2	There are contradictions between the laws and the instructions of ministries	3	1.5
3	Laws and instructions do not allow me to manage the enterprise as I want to – more rationally	2	1.0
4	The laws change too often	38	18.9
5	Other (please specify)	3	1.5
6	No answer	155	77.1

***Obstacles of an administrative nature*****C3. As a whole the local, regional and republican administration help you and your activity?**

Number	Name	Frequency	Percent
1	Yes	33	16.4
2	No	150	74.6
3	I do not know	18	9.0

***Obstacles in production*****C4. Do you possess enough equipment**

Number	Name	Frequency	Percent
1	<b>E. Yes</b>	87	43.3
2	No	114	56.7

**C5. Are there any laws, clauses. Licenses or administrative procedures which make it difficult to procure means of production for your enterprise?**

Number	Name	Frequency	Percent
1	Yes	116	57.7
2	No	82	40.8
3	No answer	3	1.5



**Please specify which ones**

Number	Name	Frequency	Percent
1	High norms of depreciation	3	1.5
2	The clause on the cashier's machine with memory	1	0.5
3	Formalities for imports	9	4.5
4	Lack of financial sources	7	3.5
5	Frequent changes of the law	5	2.5
6	Quick increase in prices	3	1.5
7	The law on collateral	7	3.5
8	The law on leasing	2	1.0
9	Ban on barter, I can not receive products against services	2	1.0
10	Free market	1	0.5
11	Bureaucracy and corruption	6	3.0
12	High customs fees, high VAT	12	6.0
13	Complicated procedures for receiving licenses	2	1.0
14	Road tax	1	0.5
15	Difficulties in receiving loans	2	1.0
16	Law on privatization	1	0.5

**Market obstacles**

**C6. Do you have problems in marketing your products?**

Number	Name	Frequency	Percent
1	Yes	80	39.8
2	No	120	59.7
3	No answer	1	0.5

**C7. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to transporting/selling your products on the territory of the Republic of Moldova?**

For example they say there are cases when the regional administration does not allow selling products from a different region on the local market. Can you name obstacles of an regulatory or administrative nature which you face when trying to sell your products?

Number	Name	Frequency	Percent
1	Yes	137	68.2
2	No	63	31.3
3	I do not know	1	0.5

**Please specify:**

Number	Name	Frequency	Percent
1	Fee for patents, licenses, registration of transport means	8	4.0
2	High VAT and other taxes	7	3.5
3	Impossible to receive certificates of quality on the spot	3	1,5
4	Formalities, bureaucracy, corruption	12	6.0
5	I can not exchange services and equipment for the peasants' products	1	0.5
6	Customs	5	2.5
7	Ban on selling products in other regions of the country	5	2.5
8	High prices on fuel, spare parts	4	2.0
9	Difficulties in warehousing and marketing	3	1.5
10	A complicated tax code	1	0.5
11	Use of electricity	1	0.5
11	Difficulties with transportation	4	2.0
12	Instability of laws	2	1.0
13	<b>No answer</b>	145	72.1

**C8. If you work as an intermediary are you able to store enough products for your business?**

Number	Name	Frequency	Percent
1	Yes	66	32.8
2	No	104	51.7
3	I do not know	31	15.4

**C9. Are there any laws, clauses, licenses or administrative procedures which do not allow farmers and other persons to sell you their products?**

Number	Name	Frequency	Percent
1	Yes	106	52.7
2	No	88	43.8
3	I do not know	7	3,5

**F. Please specify:**

Number	Name	Frequency	Percent
1	High prices on fuel, non-correspondence of prices	18	9.0
2	High fees for licenses, complicated procedures, many formalities, corruption	28	13.9
3	Arbitrary fines	2	1.0
4	Joint stocks are not allowed to buy equipment from private persons	2	1.0
5	Lack of markets	1	0.5
6	Liberty to choose the place for marketing the products	2	1.0
7	Barter is not favorable for peasants	2	1.0
8	No answer	146	72.6

**C10. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to exporting your products?**

For example we were told by businessmen that the process of exporting is very difficult and unclear: they do not know what forms are to be filled in and bribes should be paid. Can you name laws or instructions or other constraints that hinder the export of your products?

Number	Name	Frequency	Percent
1	Yes	113	56.2
2	No	78	38.8
3	I do not know	10	5.0

**Please specify:**

Number	Name	Frequency	Percent
1	Taxes, high customs fees, complicated customs procedures, Too many normative acts, taxes	54	26.9
2	Corruption	8	4.0
3	Many formalities for the certification of alterable products	4	2.0
4	Problems with the traffic police	1	0.5
5	Too much control	2	1.0
6	Many procedures for receiving licenses	3	1.5
7	Transnistria	1	0.5

***Obstacles related to control***

**C11. Tell us please which control authorities and how many times visited you during a year?**

Times a year	Tax inspecto rate	Econom ic police	Fireman inspecto rate	Inspecti on of electric network	Sanitary and epidemi ologic station	Other (specify)	Other (specify)
1	35	43	50	28	32	20	3
2	39	32	44	25	33	15	5
3	20	13	12	13	10	9	4
4	27	6	10	17	14	7	4
5	8	8	4	9	3	3	
6	14	8	9	5	8	1	
7	3	2	1	2	3	1	
8	4	4	1	5	4	1	
9	2			1	1	1	
10	5	12	6	9	5	7	1
12	15	5	3	32	18		2
15	4	3	1		1	1	1
16				1			
18		1					
20	2	2		1			
24	4	2		3	1		
25	1						
30	3			1	1		
40					2		
50	1			1	1		
60				1	1		
100				1			

***Obstacles of a financial nature***

**C19. Are there any problems related to the legislation and taxation practices?  
Please give specific examples**

Number	Name	Frequency	Percent
1	Yes	67	33.3
2	No	130	64.7
3	I do not know	4	2.0

**Please specify:**

Number	Name	Frequency	Percent
1	High taxes, complicated tax system	63	31.3
2	Payments to the social fund, payment of taxes before selling products	4	2.0
3	Frequent changes to the laws	22	10.9
4	Relations with the tax authorities are not regulated by law	10	5.0
5	Fines	2	1.0
6	A cashier's machine is needed	2	1.0
7	Too big social fund	2	1.0
8	Changes in the land tax	2	1.0
9	No support for the small business	4	2.0
10	Land tax	1	0.5
11	Lack of information on the changes in the legislation	1	0.5
12	Bartering is too common	4	2.0
13	No answer	84	41.8

**C20. Did you take loans in 1998?**

Number	Name	Frequency	Percent
1	Yes	72	35.68
2	No	129	64.2

**C21. If yes did you repay the loans?**

Number	Name	Frequency	Percent
1	Yes	51	25.4
2	No	37	18.4
3	I do not know	113	56.2

**C22. If you did not take loans – for what reason?**

Number	Name	Frequency	Percent
1	The interest rate is too high	95	47.3
2	I could not take a loan because my property can not serve as a collateral	17	8.5
3	Other	21	10.4
4	No answer	68	33.8

***Obstacles of an informational nature***

**C23. Do you receive consultations which you need (for example on the organization of activity of an enterprise, marketing products, etc.)?**

Number	Name	Frequency	Percent
1	Yes	49	24.4
2	No	120	59.7
3	I do not need consultations	31	15.4
4	No answer	1	0.5

**C24. To which extent are you informed about the legislation of the Republic of Moldova on business?**

Number	Name	Frequency	Percent
1	Good	29	14.4
2	Satisfactory	105	52.2
3	Unsatisfactory	66	32.8
4	No answer	1	0.5

**C25. In general which laws, clauses and administrative procedures are a problem for you?**

Number	Name	Percent
1	Law on the state budget, VAT, customs fees	60.4
2	Bureaucracy, formalities, corruption	12.5
3	Many controlling authorities	8.3
4	Land code	6.9
5	Law on loans	4.2
6	Law on privatization	2.8
7	Simplification of the export procedures for agricultural products	2.1
8	Law on accounting	2.1
9-10	Law on joint stocks and investment funds	0.7
9-10	Law on grape and wine	0.7

**D. RESULTS OF ACTIVITY, CONCLUDING INFORMATION**

**D. Which are your plans for the nearest 1-2 years? (name all that you find necessary)**

Number	Name	Frequency	Percent
1	To continue activity at the same level	69	64.3
2	Expand activity	76	37.8
3	Find a foreign partner	30	14.9
4	Stop activity related to agriculture	13	6.5
5	Other	12	6.0
6	No answer	1	0.5

**G. Second choice**

Number	Name	Frequency	Percent
1	To continue activity at the same level	2	1.0
2	Expand activity	9	4.5
3	Find a foreign partner	47	23.4
4	Stop activity related to agriculture	4	2.0
5	Other	2	1.0
6	No answer	1	0.5

**D. Which three basic decisions in your opinion should be adopted by the Government of the Republic of Moldova for improving your enterprise's activity?**

Number	Name	Frequency	Percent
1	Revise laws on taxes	86	18.0
2	Regulation of prices on electricity and fuel	78	16.3
3	Favorable long term crediting	75	15.7
4	Protection of local producer	32	6.7
5	Subsidies for agricultural products	29	6.1
6	Reducing control, fighting corruption	25	5.2
7	Reducing taxes, fees, awarding long term licenses	24	5.0
8	Stimulating exports	18	3.8
9	Assistance in procuring equipment	13	2.7
10	Regulation of prices on agricultural products	11	2.4
11	Creation of consulting and information centers	10	2.2
12	To stabilize the leu	10	2.2
13	Create a market	9	1.9
14	Procurement of agricultural products	7	1.6
15	Ensure stability of laws	7	1.6
16	Support the small business	6	1.2
17	Attract foreign investments	6	1.2
18	Land tax, social fund	5	1.0
19	Simplify the accounting	4	0.8
20	Ensure political stability	4	0.8
21	Regulate control	4	0.8
22	Organize a system of providing with seeds, fuel, pesticides	4	0.8
23	Adopt necessary laws	2	0.4
24	Ban barter	2	0.4
25	Permit to work without a cashier's machine	1	0.2
26	Ensure continuous provision with electric power	1	0.2
27	To annul debts	1	0.2
28	Introduce new technologies	1	0.2
29	Create association for technical servicing	1	0.2
30	Simplify procedures for the transportation of alterable products	1	0.2
		477	100.0

**Region**

Number	Name	Frequency	Percent
1	North	68	33.8
2	Center	103	51.2
3	South	30	14.9

**(4) QUESTIONNAIRE FOR THE MAYORS, COUNSELLORS  
AND OTHER REPRESENTATIVES OF LOCAL PUBLIC  
ADMINISTRATION**

**E1. What is your position?**

Number	Name	Frequency	Percent
1	Mayor	42	77.8
2	Secretary	1	1.9
3	Cadastral Engineer	1	1.9
4	Deputy Mayor	1	1.9
5	Accountant	2	3.7
6	Counselor	7	13.0

**E2. How long have you been working in the local administration?**

Number	Name	Frequency	Percent
1	Less than one year	15	27.8
2	1-3 years	3	5.6
3	Over 3 years	36	66.7

**E3. What do you think, which are the main obstacles for farmers' and rural entrepreneurs' activities at present (please do not give more than 2 answers)?**

Number	Name	Frequency	Percent	Type of obstacle	Level
1	Unclear legislation	10	18.5	Law-regulations	3
2	Too many regulations (too many licenses etc.)	9	16.7	Law-regulations	4
3	Difficulties with taxes	5	9.2	Finance	5
4	Financial difficulties (loans, collateral etc.)	28	51.8	Finance	2
5	Lack of agricultural equipment, fertilizers, maintenance services etc.	29	53.7	production	1
6	Lack of services	2	3.7	Service	6
7	Lack of marketing, selling channels etc.			Market	6
8	Other	1	1.9		7

**E4. To which extent the legislation of Moldova, governmental normative acts and ministerial instructions influence your activity as a mayor (counselor). Please exemplify**

Number	Name	Frequency	Percent	Level
1	Law on local public administration	33	63.5	1
2	Law on governmental service	3	5.8	4
3	Village Council	1	1.9	5-6-7
4	Land Code	4	7.7	3
5	Local taxes, please specify	9	17.3	2
6	Acts on development of vineyards	1	1.9	5-6-7
7	Fiscal Code	1	1.9	5-6-7



**E5. Please point out at the most important activities that have been undertaken by mayoralty lately in order to support farmers and small rural business**

Number	Name	Frequency	Percent	Level
1	Organizing the storage of equipment	2	2.8	7-8-9-10
2	Consulting Center	9	12.5	4-5
3	Center for the provision of fuel, chemicals and seeds	9	12.5	4-5
4	Signing leasing agreements	5	6.9	6
5	Rendering services for cultivating land	1	1.4	11-12-13
6	Elaborating land projects and issuing ownership documents	16	22.1	1
7	Organizing credit associations	2	2.8	7-8-9-10
8	Deferring taxes	11	15.3	2-3
9	Registering farms	11	15.3	2-3
10	Organizing the committee on the liquidation of draught	1	1.4	11-12-13
11	Creating the center of information	1	1.4	11-12-13
12	Assisting farms	2	2.8	7-8-9-10
13	Informational workshop	2	2.8	7-8-9-10
	Total	72	100	

**E6. What do you think, what are the most important ways and methods for supporting farmers and small entrepreneurs? (do not indicate more that two)**

Number	Name	Frequency	Percent	Level
1	Assisting in clarification of laws, normative acts and their execution	23	23.0	3
2	Assisting the development of rural infrastructure (marketing channels, acquisition of row materials, fuel, computer etc.)	39	39.0	1
3	Assisting in obtaining loans	25	25.0	2
4	Defending their interest at a national level	11	11.0	4
5	I don't know			
6	Other	2	2.0	

**E7. The law on Local Public administration (February 1999) establishes the rights of local institutions and mayors. As a result of the territorial administrative reform, the mayors of communes have received more rights (licenses etc.). However other duties are focused on county level. What do you think, do you have enough rights to use, for the assistance of farmers and representatives of small business from your village?**

Number	Name	Frequency	Percent
1	Yes	11	20.4
2	No	42	77.8
3	No answer	1	0.8

**E8. If not, then what kind of changes in your rights are necessary to be undertaken by you in order to be able to better assist the farmers and local businessmen?**

Number	Name	Frequency	Percent	Level
1	Subordinating economical agents to mayoralty (legal grounds)	3	10.7	2-3-4
2	Extension of the mayoralty's rights (taxes, expropriation of land etc.)	19	67.9	1
3	Issuing export authorizations (licenses)	3	10.7	2-3-4
4	Creating mayoralty funds to support farmers and entrepreneurs	3	10.7	2-3-4
	Total	28	100	

**E9. To which extent are you informed about the Moldovan legislation in regards to the regulation of mayor's activity?**

Number	Estimation	Frequency	Percent
1	Good	15	27.8
2	Satisfactory	31	57.4
3	Unsatisfactory	7	13.0
4	No answer	1	1.8
	Total	54	100

**E10. What do you think, what laws and administrative acts hinder the development of farming and small rural business? For example – registering the enterprise and equipment, export, regulating activity, access to financial resources etc.**

You have the opportunity to improve the legislation for agricultural sector. We ask you to be honest, since this will be used in preparing the report for the government.

Number	Problems arising from the laws and administrative acts and hindering the development of farming and entrepreneurship	Frequency	Percent	Level
1	High payments for obtaining licenses	23	34.8	1
2	Rights to the mayoralty to register acts cultivating of orchards and vineyards	5	7.6	4
3	Providing with chemicals, fuel, seeds	2	3.1	5-6
4	Reducing taxes	1	1.5	7-8
5	Reducing the requirements for storage of chemicals	1	1.5	7-8
6	Registering equipment – in mayoralty	16	24.2	2-3
7	Difficult procedures in exporting agricultural products	16	24.2	2-3
8	Difficulties in obtaining loans	2	3.1	5-6
	Total	66	100	

#### **Region**

Number	Name	Frequency	Percent
1	North	16	29.6
2	Center	25	46.3
3	South	13	24.1

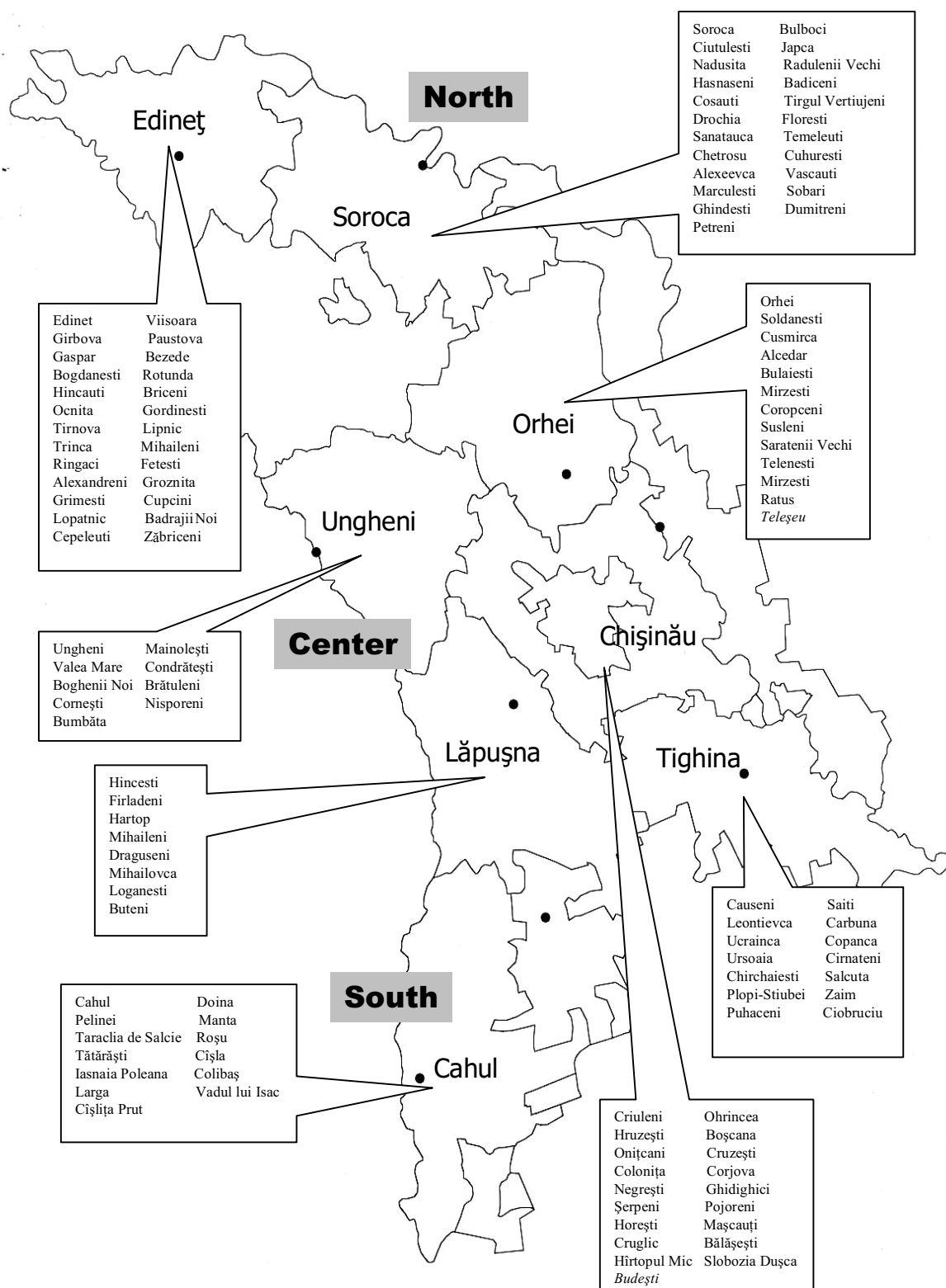
## LIST OF LOCALITIES

covered by the field polling on identifying the impediments to development of private farming enterprises and related small rural business in the republic of Moldova

Localities	Total respon Dents	Including			
		Farmers	Leaders	Entrepre neurs	Mayors and counsellors
<b>EDINET – 26 localities</b>	<b>78</b>	<b>32</b>	<b>7</b>	<b>32</b>	<b>7</b>
Alexandreni      Groznita					
Badrajii Noi      Hincauti					
Bezede            Lipnic					
Bogdanesti      Lopatnic					
Briceni            Mihaileni					
Cepeleuti        Ocnita					
Cupcini           Paustova					
Edinet            Ringaci					
Fetesti            Rotunda					
Gaspar            Tirnova					
Girbova           Trinca					
Gordinesti       Viisoara					
Grimesti          Zabriceni					
<b>SOROCA – 23 localities</b>	<b>90</b>	<b>36</b>	<b>9</b>	<b>36</b>	<b>9</b>
Alexeevca        Hasna seni					
Badiceni          Japca					
Bulboci           Marculesti					
Ciutulesti        Nadusita					
Chetrosu          Petreni					
Cosauti           Radulenii Vechi					
Cuhuresti        Sanatauca					
Drochia           Sobari					
Dumitreteni      Soroca					
Floresti           Temeleuti					
Ghindesti        Tirgul Vertiujeni					
Vascauti					
<b>ORHEI – 12 localities</b>	<b>62</b>	<b>24</b>	<b>7</b>	<b>26</b>	<b>5</b>
Alcedar           Ratus					
Bulaiesti        Saratenii Vechi					
Coropcenii        Susleni					
Cusmirca          Soldanesti					
Mirzesti           Telenesti					
Orhei              Telesheu					
<b>UNGHENI – 9 localities</b>	<b>78</b>	<b>31</b>	<b>8</b>	<b>30</b>	<b>9</b>
Boghenii Noi      Cornesti					
Bratuleni        Mainolesti					
Bumbata          Nisporeni					
Condratesti      Ungheni					
Valea Mare					
<b>CHISINAU – 20 localities</b>	<b>59</b>	<b>24</b>	<b>5</b>	<b>24</b>	<b>6</b>
Balasesti        Horesti					
Boscana           Hruzesti					
Chisinau          Mascauti					
Colonita          Negresti					
Corjova           Ohrincea					
Criuleni           Onitcani					
Cruglic           Pojorani					
Cruzesti          Slobozia Dusca					
Ghidighici       Serpeni					
Hirtopul Mic      Budeshti					

LAPUSNA – 8 localities Buteni            Hincesti Draguseni       Hartop Mihaileni       Mihailovca Firladeni       Loganesti	<b>55</b>	<b>22</b>	<b>8</b>	<b>20</b>	<b>5</b>
TIGHINA – 14 localities Causeni          Plopi-Stiubei Carbuna          Puhaceni Chirchaiesti     Saiti Cioburciu        Salcuta Cirnateni        Ucrainca Copanca          Ursoaia Leontievca       Zaim	<b>48</b>	<b>21</b>	<b>11</b>	<b>9</b>	<b>7</b>
H. CAHUL – 13 localities Cahul            Manta Cisla             Pelinei Cislita Prut      Rosu Colibas          Taraclia de Salcie Doina            Tatarasti Iasnaia Poleana Vadul lui Isac Larga	<b>60</b>	<b>24</b>	<b>6</b>	<b>24</b>	<b>6</b>
<b>I. Total localities – 125</b>	<b>530</b>	<b>214</b>	<b>61</b>	<b>201</b>	<b>54</b>

**Field polling  
on identifying the impediments to development of private farming  
enterprises and related small rural business in Moldova**



*Territorial Net – 123 villages in 8 judets  
Besides, a preliminary control was carried out in Teleșeu (Orhei)  
and Budești (Chișinău)*

## *B. LEGAL BASIS*

### **13. THE LEGAL BASIS REGARDING THE RURAL ENTERPRISE DEVELOPMENT**

Once with the adoption by the Parliament of the Republic of Moldova of the Concept on Agrarian Reform and Social Development of the Rural Area on 15 Feb. 1991, a series of reforms started in the Republic of Moldova, aimed at insuring the shift of the socialist-type economic relations to market economy.

Having the objective to implement the assumed targets in the above mentioned concept, it was necessary to develop and adopt a series of laws and normative acts which were supposed to build up the legal framework for developing the rural private sector.

Thus, in order to carry out the agrarian reforms, there were developed and adopted the laws regarding citizenship, migration, ownership, land, peasant farms, entrepreneurial activity, cooperation, enterprise, joint-stock companies, bankruptcy, anti-monopoly, banks and banking, budget, local public administration, consumer rights protection, nature protection, education, science and technical-scientific policy.

All of those laws were supposed to set the legal basis necessary for implementing the land reform, privatization of production means, market relations formation, changing and developing new forms of production organization.

The purposes of all those actions are:

- demonopolization of state property on land and confirmation of peasant as real-proprietor;
- creation of material basis for insuring the economic liberty of peasants and rural entrepreneurs;
- creation of a self-regulating efficient mechanism for the activity of the economic units in the field of exchange of assets;
- creation of an efficient economic mechanism, which might insure development based on equality between the rights of the peasant farms and other forms of rural area production organization.

In order to unleash those reforms in the Republic of Moldova the due legal basis was developed.

However, while building up and developing the private sector, the normal run of reforms in the agri-industrial sector encounter many difficulties, generated by imperfection of the legal framework. Many of adopted laws comprise contradictory clauses, a fact which created difficulties in the process of their application.

The purpose of the present study is to highlight the drawbacks of the current legislation and necessary suggestions aimed at improving the laws regulating or having impact on the development and consolidation of the rural private sector.

#### **13.1 Enterprise registration**

The Art. 13(7) of the Law on Entrepreneurship and Enterprises no. 845-XII dated 3 Jan. 1992 establishes, that any citizen can be founder of only one enterprise. Both legal entities and individuals can be associated to only one limited company or limited partnership. Yet, the current legislation does not acknowledge such notion as: "unlimited company". This fact causes confusions in applying the mentioned law in practice, like for instance the stipulation of the point 2 of the Resolution of the

Government of Moldova no. 1050 dated 11 Nov. 1997, which establishes that the State Registration Chamber shall sue enterprises for canceling the incorporating documents, in cases when the same individuals created or are associated to one or more individual enterprises, limited company or limited partnership.

Thus, it is necessary to duly modify the above mentioned law, and comply the Resolution of the Government to this law.

The Art. 28(2) of the same law stipulates, that "in case when it is decided to register an enterprise with share capital, it shall be charged a state duty worth 0.5% of the share capital". This stipulation places the enterprises having share capital in unequal conditions versus other types of enterprises. This fact makes the above mentioned enterprises diminish the real worth of their share capitals. We consider proper to exclude this clause from the Law on Entrepreneurship and Enterprises and include it into the fiscal legislation. In such a case, the enterprises with share capital shall be exempted from additional costs at registration.

Another issue denoting the need to complete the Law on Entrepreneurship and Enterprises is the Art. 27(2) stipulating, that "the office of the enterprise shall be considered the place, where the management body is placed". The law stipulates nothing more about the office of the enterprise. Yet, while registration, the state registrar requires to submit "documents confirming the legal address" in compliance with the stipulations of the Government Resolution no. 251 dated 17 March, 1997 "On Enforcing the Certificate of Enterprise Registration". To mention is, that the validity term of the above mentioned Resolution expired and lost its validity. It means the requirements of the registration bodies are not grounded by law. From this angle, it is necessary to complete the above mentioned law with specific requirements regarding the office of the enterprise.

The Art. 31 of the same law stipulates, that "in the State Trade Register" shall be recorded the data as follows: firm, main office, types of activity, organizational-legal form, names of individuals authorized to manage and represent the company, data of enterprise registration, offices of subsidiaries and representative offices. In case of need, in the "State Trade Register shall also be included other data in compliance with the current legislation". Actually, the data that are recorded in the State Trade Register are filled-in as per the registration card, based on sample approved through Government Resolution no. 52 dated 29 Jan. 1992, which comprises a series of data which, while registration, cannot be known yet. It is necessary to simplify the contents of the data that are recorded in the registration card and State Trade Register.

In order to facilitate the registration procedure, it is necessary to concentrate all other bodies' subdivisions involved in this procedure within territorial subdivisions of the State Registration Chamber, and all the work that pertains to peasant farms and farms registration (National Agency for Terminology, Department of Statistical Analysis, Fiscal Inspectorate).

The law on entrepreneurship and enterprises does not stipulate registration of enterprises based on the condition of opening a preliminary provisional bank account. At the same time, the Law on Joint-Stock Companies (art. 34(4)) and the regulation on economic units (p. 73) stipulate opening a provisional bank account - prior to registration, for collecting cash amounts paid for issued stocks while setting up a joint-stock company, respectively for introducing the first equity share of a limited company.

It is necessary to modify the current legislation with a view to establish equal conditions for all types of enterprises, regardless to what type of company is, as well as to establish the manner of paying the contributions to the share capital.

In order to make the procedure of enterprises registration more efficient, it is necessary to improve the Law on Entrepreneurship and Enterprises with a view to establish an exhaustive list of necessary documents for registration, manner of preparing and notary authentication of documents.

Also, it is necessary to complete the mentioned law with stipulations that would establish the cases of enterprise re-registration. In this context, it is necessary to modify the Art. 31 of the law, which comprises stipulations that do not comply to the procedure stipulated by Law on Changing the Assets of an Enterprise.

### ***13.2. Organizational-legal forms of the enterprises***

The organizational-legal forms of enterprises are established in the art. 13 of the Law on Entrepreneurship and Enterprises no. 845 from 3 Jan. 1992. Yet, the above mentioned article does not mention about the peasant farm. Previously this law used to contain stipulations that defined the peasant farm as a form of individual enterprise. Subsequently, while modifying the law, this stipulation was excluded. Currently the activity of the peasant farms is regulated by the Law on Peasant Farms no. 841 dated 3 Jan. 1992, which needs to be substantially improved.

In this context, the suggestions regarding the improvement of the stipulations of the art. 1(3,4), art. 4(4), art. 8(1), art. 15 made by the participants of the survey, are welcome (suggestions are fully enclosed).

The art. 1 needs to be improved with a view to establish the procedure of associating family members in running entrepreneurial activities, as well as manner of enforcing the status of peasant farm leader.

Stipulations of the paragraph 4 of the article 4 contradict the Constitution of the Republic of Moldova and Law on Property and should be abrogated.

The stipulations of the art. 8 need to be improved and tailored to the Marriage Code, Civil Code and the Law on Property. The regulation on the economic units, approved by the Government Resolution no. 500 dated 10 Sept. 1991, regulate the manner of setting up ordinary partnerships, limited partnerships, limited companies, ownership relations among the associated individuals, limits of responsibilities with regard to the companies' liabilities and others. To mention is, that the above mentioned regulation served as grounds for developing and adopting the Law on Entrepreneurship and Enterprises and currently lost its actuality. It is crucially important to adopt a new Law on Entrepreneurship with regard to all legal-organizational forms, or regulate activities by a complex law such as Trade Code.

The activity of the cooperatives is regulated by the Law on Cooperation no. 864 dated 16 Jan. 1992, which also needs to be modified and completed in compliance with the conclusions of the survey.

Thus, it is desirable to modify the stipulations of the art. 1(1) with a view to remove the age limit of up to 18 years, for the individuals who reached the age of 16 are not entitled to fully exercise their duties and cannot safeguard their property related interests by themselves. Also, it is not justified the interdiction imposed to legal entities on becoming members of cooperatives. We think that local public administration interference into the issues pertaining to cooperatives activity is inadmissible and the stipulation of the paragraph 2 of the art. 4 should be abrogated.



It is acceptable the suggestion related to abrogation of paragraph 2 of the art. 13, which contradicts the constitutional norms on respecting the freedoms of the citizens.

In this regard we agree with the suggestion related to revising the Law on Supporting and Protecting the Small Business no. 112 dated 20 May, 1994 by introducing some new criteria regarding the involvement in a small business.

Taking into consideration that the current version of the above mentioned law does not stimulate enterprise development, but rather inhibits them at the level of small businesses, the suggestion regarding introducing as basic criteria the turn over index seems reasonable.

Also, it is desirable to amend the above mentioned law by excluding forced canalization of enterprise operations towards so-called "priority branches of the economy".

It is also acceptable the suggestion on modifying the law having as objective to establish transportation in the activity of the local public authorities, with regard to supporting the small business (announcements in the mass media regarding holding contests, publishing the results of the contests, reports on public funds usage, etc).

It is welcome the suggestion on modifying the Regulation on the Activity of the Fund for Entrepreneurship and Small Business Support (approved through the Government Resolution no. 659 dated 21 Oct. 1993 in the sense of allocating funds for agrarian sector).

### ***13.3. Licensing and other state authorizations of entrepreneurship***

Although the Law on Licensing certain types of activity, no. 332-XIV dated 26 Mar. 1999 is relatively new, it needs to be modified and is indispensable in terms of facilitating entrepreneurship.

We think that licensing for limited terms and differentiation of license validity for various types of activity (1 and 5 years) is not grounded and in this sense the art. 5 needs to be modified.

The suggestion is grounded on modifying the art. 8, which establishes notary authentication of document copies submitted for getting license. In order to exclude any additional costs we consider the licensing body can confront the copies with the originals and confirm those copies by itself. Due attention should be paid to suggestions regarding modification of the art. 13(2) and 14(4).

Art. 15 needs to be modified of the above mentioned law, with a view to make difference between the duties for licensing various types of enterprises.

It is acceptable the suggestion on modifying the art. 16(2) and 17 on establishing a minimal term for removing the violations, as well as excluding the point c) from the article 17.

We have no observations with regard to suggestions on modifying the Law on Vine and Wine no. 131-XIII dated 2 Jun. 1994, Law on Tree Growing no. 728-XIII dated 6 Feb. 1996, Law on Veterinary Activity no. 1593-XII dated 23 Jun. 1993.

Also it is acceptable the suggestion to adjust the Law on Labor Protection no. 625-XII dated 2 Jul. 1991 and the Regulation on Manner of Issuing Authorizations on both legal entities and individuals' activities in terms of labor protection, approved by the Government Resolution no. 75 dated 2 Feb. 1999 with regard to regulating relations between the entrepreneurs and local public authorities while issuing these authorizations.

#### ***13.4. Import and export of agricultural products***

In this regard to mention is, that the suggestions regarding the improvement of the legal framework pertaining to import and export of agricultural products are grounded and need to be developed and suggested to the parliament of the Republic of Moldova for adopting necessary graft laws. I consider a particular attention deserves the suggestion on establishing customs duties in the Customs Code rather than in the Budget Law, which is modified on yearly basis and creates an unstable environment, thus affecting the foreign trade retaliations.

As regarding the suggestion on tailoring the Government Resolution no. 777 dated 13 Aug. 1987 "On Improving the Mechanism of Regulating Foreign Trade" to the "Law on Licensing Certain Types of Activity", we consider it is improper.

We consider, that based on the above mentioned Resolution a draft Law on Exports Control can be developed and submitted to the Parliament of the Republic of Moldova for examination and adoption, in compliance with the experience of the European Community Countries.

To mention is, that such laws have been already adopted by some CIS member-countries, such as Russian Federation, Ukraine, and Kazakhstan.

We should also mention, that in relation with the suggested Moldova's adherence to the WTO, in the near future, the Law on Anti-dumping, Compensating and Safeguarding Measures will be adopted, that will have a direct impact on import-export relations.

#### ***13.5. Legalizing the property right on assets and privatized land areas***

In this regard we do not consider it is necessary to modify the Law on Privatization Program for 1997-1998, in the sense of specifying the moment when the right was enforced to ownership of privatized goods. This was established univocally in the Civil Code and the Law on Real Estate Survey.

Another point is, that the procedure of registration in the Real Estate Survey is too long and needs substantial costs for carrying it out. In this context we consider necessary to introduce modifications and amendments in the current legislation with a view to urge and facilitate this procedure by diminishing the related costs, including by assuming these costs by the state (like for instance in case of privatization of objects that do not have any related documents to their prior registration by respective bodies).

Acceptable should be the suggestions on making modifications for clear delimitation between the documents confirming the ideal size of a property share and documents specifying the assets distributed in kind, as well as empowering the Commission for Privatization to modify previously adopted decisions and those regarding clear regulation of the manner of adjacent areas privatization.

#### ***13.6. State control upon entrepreneurial activities***

We consider, that the activity of the Department for Financial Control and Audit, as well as the Financial Guard needs to be regulated by law. In this regard it is necessary to complete the Fiscal Code and the Law on Accounting with stipulations

regarding the functions of those control bodies, as well as the manner of carrying out fiscal and financial control.

The multitude of control and supervision bodies that can intervene any moment in the activity of the entrepreneurs, is a negative aspect in the administration practice. Usually, the controls performed by those bodies have the purpose to sanction enterprises for certain violations of law, a fact which makes some entrepreneurs run their activity in shadow economy.

More over in this regard, it is necessary to complete the current legislation with clear regulations related to procedure of running the control, powers of the control bodies, purposes of running the controls, etc, so that any abuse of the control bodies be excluded, on the one and, and to encourage the enterprises act based on legal stipulations.

In broad lines, the developed suggestions in this regard, are acceptable. At the same time we consider that currently there is no need of interventions in terms of modifications in the Law on Local Public Administration, because the structure of the control bodies and supervision do not coincide (from case to case) with administrative-territorial organization.

### ***13.7. Land market (lease and other civil transactions with land plots)***

One of the reasons having a negative impact on the entrepreneurial activities is the flaws of the privatization process. If the legal framework related to ownership has been more or less adjusted to current realities, the technical procedure of implementing the surveying and real estate related regime, despite the clearness of the concept, just starts to be implemented. Without establishing certain explicit regulations in this field, there cannot be discussion of enhancing agricultural reforms.

From this viewpoint, it is necessary to adopt as soon as possible the Civil Code in a new wording, to introduce necessary modifications and completions to the Land Code and introduce - in compliance with the those Codes' stipulations - laws that would regulate financial relations, as well as to modify the normative acts guiding the state departmental activity with a view to remove discrepancies with the legal framework.

In this context, it is necessary to improve - by due modifications - the Law on Lease, Law on Mortgage, Law on Normative Price of Land, Law on Surveying all Types of Real Estates, and others.

In conclusion we want to mention, that the Law on Leasing (no. 731 dated 15 Feb. 1996), needs to be improved, by introducing necessary modifications and completions, by taking into account the importance of leasing relationships for the entrepreneurship development in agriculture.

## C. ECONOMIC FRAMEWORK

### 14. GENERAL OVERVIEW ON THE LAND REFORM EVOLUTION IN THE REPUBLIC OF MOLDOVA

The ownership, in essence, expresses the relations between the people as related to assets and encompasses overall external economic relationships, ownership, usage and disposal. The ownership, according to Article 9 of the Constitution of the Republic of Moldova, can be both public and private.

By dismantling the state centralized monopolistic system and instituting the market economic mechanisms in the agri-industrial sector is possible only through changing the essence of ownership. It is this one that determined the purpose of the land reform: “demonopolization of state ownership on land and vesting the peasant with the rights of real master”.

Both the agrarian reform concept and the Land Code establish two stages of the land reform.

During the first stage, which practically is over, each rural family has been distributed for free, in private ownership, at least 0,3 ha of land. If the composition of the family was more than 3 individuals, 0,1 ha was distributed additionally per each member starting from the forth individual, provided the overall land area of the family does not exceed 0,75 ha. At present, the adjacent land plots, transmitted into private ownership to the citizens of the Republic of Moldova, amount to 344,5 thou ha.

On the second stage of the land reform, commenced once with the adoption of the Land Code on Jan. 1<sup>st</sup>, 1992, in private ownership is transmitted the outside built-over land areas, amounting to about 1,5 mil ha.

According to agrarian reform Concept and Land Code, privatization of outside built-over land is carried out by attributing equivalent land shares to citizens of the Republic of Moldova. This right is enjoyed by individuals who are running or have run their activity in the collective farms, individuals holding elected positions, individuals who have been subjected to political reprisal and subsequently rehabilitated, individuals who have submitted land plots to collective farms and other individuals, who amount to slightly less than one million.

Already by April 1<sup>st</sup> 1998, individuals with provisional titles accounted for almost 95% of those entitled to land shares. The certificate is only “ownership on paper”. Those entitled to ownership also submit applications to be distributed the land plots in kind.

**Table 1. Evolution of allocating the land shares in kind, as on July 1**

	1996	1997	1998	1999
Individuals having the land share in kind, thou	161	219	304	437
Individuals who have been distributed land shares in private ownership, thou	113	157	227	368
Percentage of met applications	70	72	75	84

Source: Statistical bulletin

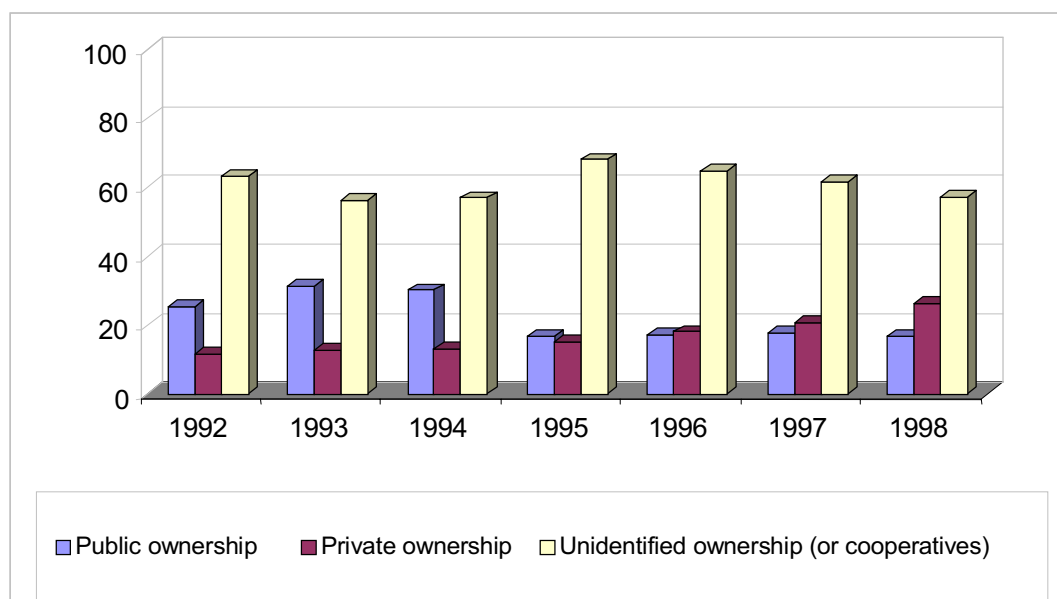
Regardless to considerable efforts that have been made and are still made to impede and even stop land shares distribution, either directly or by devising various barriers, the privatization process of the land fund is speeding up. Only during the last

4 years the number of individuals who applied to public authorities to get the land shares in kind, increased by 2,7-fold. It is significant the increasing level of meeting those applications – from 70% in 1996, to 84% in 1999. Although ridiculous, 16% of those who submitted applications are made to knock too many doors.

To mention is, that the peasants' activity during privatization process varies considerably in terms of territory. Thus, on the average, in this Republic of the overall title-holders entitled to land shares, only 43% have expressed their will to be distributed land plots in kind, including: in the former raion Nisporeni – 88%, Calarashi – 73, Criuleni – 70%, Drochia – 17%, Rezina – 16%, Taraclia – 4%. According to the data of the National Agency on Survey, Financial Means and Geodesy, on July 1, 1999 an overall number of 486 titles were distributed. To mention is, that 378 thou titles, or 78% were distributed within the „Land” project.

After January 1992 the structure of land fund ownership was subjected to substantial modifications.

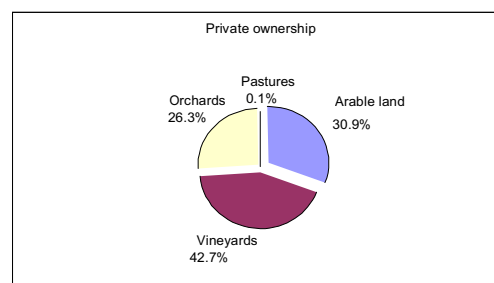
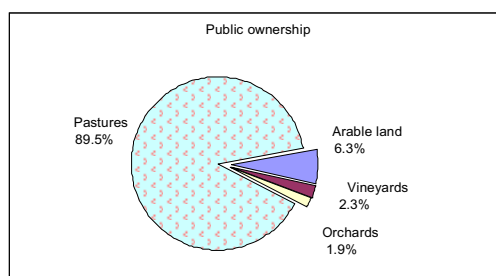
**Figure 1.** *Land ownership structure*



Source: Survey report (data as on the yearend)

Although in 1998, as compared to 1992, the share of public ownership shrank by 1.5 times, the state still owns 16,9% of the land areas. Simultaneously, the private sector increased by 2.2 times and accounts for 26,2%.

**Figure 2** *Ownership and structure of agricultural lands in 1998, %*



Source: Survey report (data as on the year end)

It is significant, that the share of the unidentified property had decreased only by 6,2 per cent.

The structure of land ownership varies depending on the manner how agricultural areas are used.

If the agricultural areas in public ownership in 1998 accounted for 16,9% (the ones planted with orchards – 1,9%, pastures – 87,4%), the private sector in 1998 accounted for 26,3% (orchards – 42,2%, pastures – 0,1%).

The changes in the structure of the land property structure, increasing share of private ownership have evidently contributed to raising motivation in peasants' activity.

It is land private ownership, that:

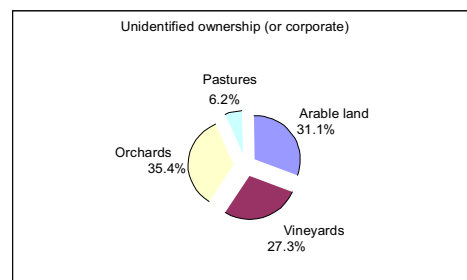
- stimulates the individuals to use the land fund more productively;
- contributes to reasonable conservation of land quality for the future;
- avoids violence as competition tool and extends the activity of the peasant, based on the volunteer consent.

It is evident the need of speeding up the process of changing the land fund ownership structure due to the reason, that as was stated by the Laureate of the Nobel Prize Milton Freidman, as far back as in 1991, the best program for Eastern Europe can be summarized in three words: “privatization, privatization and privatization”. Yet, it is critically necessary to take into account the accumulated experience and avoid committed errors.

For the beginning we should pay attention, that in the Baltic States, as well as the Eastern Europe, the land was distributed to former landowners, which is absolutely natural. In the Republic of Moldova the land areas are distributed equally to all: both to industrious and lazy, to good households and those who expect the goods to self-generate. Consequently, a considerable area is either under-farmed or is farmed by admitting severe technological violations.

The Land Code norms are frequently neglected. For instance, the individuals entitled to land shares are distributed as per *equal* and not *equivalent* land area, as stipulated in the legislation, and in the future this fact will generate social conflicts in the rural area.

Privatization of land shares is made into too many parcels. The members of one and the same family are distributed land parcels on separate fields, often at considerable distance from each other. Moreover, one and the same owner is distributed land share in three or even more parcels, with a view to insure equity among the peasants of the respective locality. It is regretful, that this way the land is distributed even in localities where land reform is run by the “Land” project. Thus, in a certain family, the husband becomes owner of a land share distributed in parcels on 3-4 fields, the wife – on another 3—4 fields, and if there are any entitled children – on other 3-4 fields. This fact generates dissatisfaction and entail unjustified additional expenditures.



It would be good to attribute the equivalent land share on one and same field, in one and the same place for the whole family, for all members of the family, who are entitled to equivalent land shares.

#### 14.1. Privatization of agri-industrial property

The agrarian reform concept set as purpose “to create the material basis for providing economic freedom to peasants and other employees of the agri-industrial complex with a view to stimulate their entrepreneurial activities”.

For peasants who have been distributed land, the main source of material basis formation is the property share from the assets of the agri-industrial sector. According to estimates of the World Bank and ARA<sup>1</sup> “The average value of a property share in Moldova (after property reevaluation in 1996) is 4700 lei or about \$850... The property share does not always represent the real value of the patrimony and has been calculated without taking into account the current debts”.

Distributing to peasants the property, which in fact belongs to them, is running more difficult than land share distribution.

Both quantity and quality of barriers that the peasant has to overcome, is often unimaginable. Let us follow the evolution of the process of property share distribution from the agri-industrial sector.

**Table 2** *Evolution of property shares distribution from agri-industrial sector property*

Indices	1997	1998	1999
Citizens entitled to property shares	1085	1122	1131
Citizens who received property share certificates, thou	460	590	672
% from overall	42	53	59
Number of certificates that were authenticated at the Territorial Agencies for Privatization and State Property Administration, thou	257	424	547
% of those who received certificates	56	72	81
Real number of peasants who have been distributed assets as part of property shares, thou	588	750	837
% from the number of participants in privatization	54	67	74
Number of people who do not know the size of the property shares due from farms, thou	83	65	53

Source: Statistical Yearbook

If about 95% of the individuals entitled to equivalent land shares obtained at least provisional certificates of land ownership, property share certificates were distributed to only 59% of the citizens entitled to agricultural patrimony privatization. As on April 1, 53 thou individuals did not know the size of shares due from the assets of the agricultural enterprises. Of the obtained certificates 81% were authenticated at the Territorial Agencies for Privatization and State Property Administration.

<sup>1</sup> See Zvi Lerman, Csaba Csaki, Victor Mor oz. “Moldova: Reforma Funciar ă și restructurarea gospodăriilor agricole: dezvoltare și perspective”. Chișinău, 1998, p. 35 (Moldova: Land Reform and farm restructuring: development and perspective”. Kishinau, 1998, p. 35).

Even if the distribution of property shares to peasants is running slower than of land shares, the progress is obvious. The share of those who received property share certificates during the last three years increased by about 17%. The share of certificates authenticated increased at the same time by 25%.

The conclusion deriving from this fact is that property shares distribution in kind, practically does not occur, or it is carried out with considerable violations and much delayed. Lack of production means and the dictate of the monopoly of the raw materials processing enterprises stir a hostile attitude towards agrarian reform. Being cognizant of this fact, even if there is a multitude of Parliament Resolutions, the Decree of the President of the Republic of Moldova, both local and central public authorities, legal institutions are heaped up with claims on behalf of the peasants that obtained the equivalent land shares, they cannot obtain the property that is due to them. Insofar, the losses entailed to agriculture and implicitly to the national economy have not been evaluated, yet, surely their proportions are significant.

To mention is, that the vineyards and orchards are privatized as agricultural areas and not as fixed assets, which in fact is stipulated by the concept of the agrarian reform. The individuals who received areas planted by vines or orchards, are bound to reimburse their cost, which generate social tension.

#### ***14.2. Changing the organizational forms in agriculture***

Currently, one of the most arguable problems is the one of organizational structures. The diversity of the ownership forms conditions one of the objectives of the agrarian reform “to provide development based on equality of rights of all juridical-organizational forms in the agri-industrial sector”.

The law on entrepreneurship and enterprises, adopted on April 1, 1992, stipulates 9 forms of juridical-organizational forms, valid also for the agri-industrial sector.

**Table 3** *Number of economic agents in agriculture, as on the beginning of the year*

Economic units	1992	1993	1994	1995	1996	1997	1998	1999
TOTAL	1047	1441	4161	14998	17240	42515	67209	81615
Of them:								
State enterprises	389	348	358	281	236	157	121	99
Collective farms	600	566	535	438	395	262	147	114
Inter-farm enterprises	53	46	44	37	34	25	20	16
Joint-stock companies	-	-	36	80	160	210	266	257
Limited companies	-	-	58	6	11	4	48	76
Production cooperatives	-	-	65	131	194	383	540	66
Peasant farms	5	481	3058	13958	16064	41228	65780	80165
Peasant farm associations	-	-	7	67	146	246	287	282

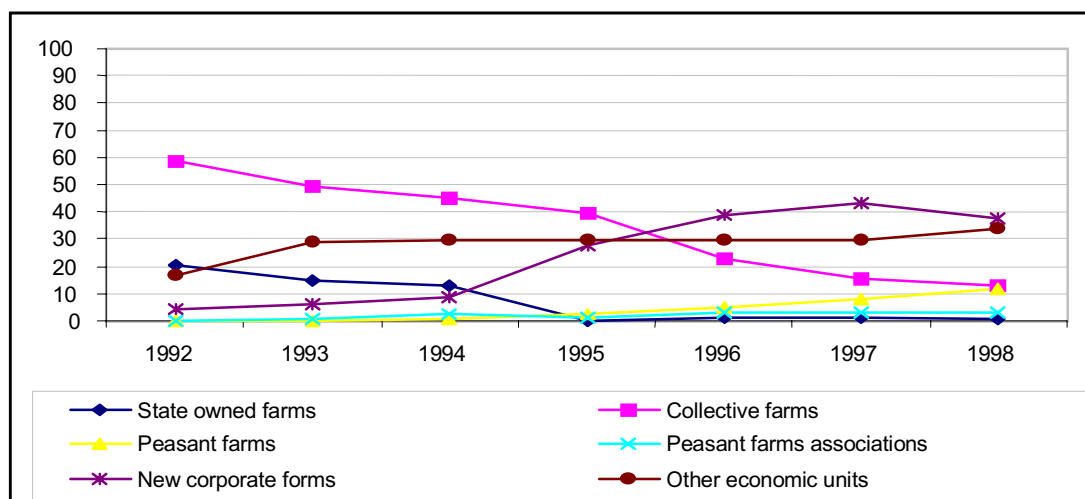
Source: Data of the Department of Statistical and Sociological Analysis of the Republic of Moldova



The number of economic units in agriculture is growing rapidly. We can follow a considerable decrease of state owned enterprises, of collective farms and inter-farm enterprises for agricultural output. Although today also the number of traditional “collective farms”, “sovkhozes” and “inter-farm enterprises” still remains big. In the information provided by the Department of Statistical and Sociological Analysis of the Republic of Moldova, among the juridical-organizational forms stipulated in the Law on Entrepreneurship and Enterprises are not included such types as: “general partnership”, “private enterprise” and others. Yet, there are highlighted such types as “Peasant Farm” and “Peasant Farm Association”, which are not stipulated by the above-mentioned law, although there is the Law on Peasant Farm (farmer), adopted by the Parliament of the Republic of Moldova as far back as on January 3, 1992.

The number of economic agents is not sufficient to guide ourselves within the structure of agricultural types of enterprises. This can be completed if we resort to one of indexes describing the dimensions of the agricultural types of enterprises, in terms of land areas aimed for farming.

**Figure 3.** *Structure of land areas per types of economic units, % as at the yearend*



Source: Survey Bulletin (data as on the yearend)

The share of agricultural areas held by state enterprises in the total number of agricultural areas has reduced during the last 7 years by 19,5%; of those from collective farms – by 46,1%. Simultaneously, this index increased in terms of peasant farms, by 12%, and of Peasant Farm Associations by 2,8%. The share of new corporate forms including joint-stock companies, limited companies and production cooperatives, increased by 33,6%.

The changes in the types of agricultural economic units are extremely complicated and contradictory. Thus, the state enterprises practically disappeared during this period. Most of them have reshaped into collective farms, based on someone's instruction, or, at best, based on someone's indication, just like in cases when collective farms were reshaped into state farms. Moreover, quite a few collective farms have rushed to re-register as new corporate units, such as joint-stock companies, limited companies, even peasant farm associations. The owners of equivalent land shares, members of state owned agricultural units, or collective farms, became shareholders, without any request or consent. They have not been distributed

land and property titles. Yet, for being a shareholder first of all one should be an equity owner.

After the beginning of the agrarian reform, the idea was actively promoted to liquidate the old organizational forms. Actually, it was a good idea. Unfortunately, in a big deal of our villages by “liquidation” was perceived a physical liquidation and this way dismantling started of everything that had been built and accumulated during 50 years. History repeats in a paradoxical manner. In the ‘40s, after the Second World War, wealth was destroyed because it was of bourgeois heritage and private owners, 50 years ago, were deported. Now everything was destroyed, because was it of “communist” heritage, and nobody was deported, and even more, nobody bears any responsibility.

The basic form of production organization in Moldovan agriculture, both in compliance with the agrarian reform, as well as according to what was reached during recent years - is the peasant farm. The peasant farm in essence a family farm, based on the real economic independence.

The family farm, which prevails in the agriculture of all economies based on market relations, in the view of many experts<sup>2</sup> represents an organizational form, which provides both political and social stability, as well as the economic fairness for farmers.

Opponents frequently keep mentioning, that the area of the agricultural plots is insufficient for implementing modern technologies. They resort to statistical bulletin and affirm, that “the average size of the plots used by a household in the republic, distributed as parts of land share, amount to 2,1 ha, of which 1,7 ha arable land, and 0,2 ha of vines and orchards each”. This is the size of an individual agricultural farm. A family from the rural area comprises 3-4 holders of equivalent land shares. Thus, the average size of a peasant farm might amount to 5,4-7,2 ha. Sure, that size is much less than those of the farmers from USA – about 190 ha, less than those from France – 27 ha, Germany – 16 ha, yet, exceed those from Italy – 5,1 ha and Greece – 4,3 ha. The development of the peasant farms in Moldova can be effected by way of:

- a) “growth”, though accumulation of land areas and capital;
- b) by associations based on market economy principles.

The model of economic units’ area extension though “growth” can be reached by leasing equivalent land shares. As far back as in 1964, when the first agrarian reform was launched, Ion Ionescu developed “Pieces of Advice for Owners who Lease Out Their Land Shares”, which are actual to nowadays. This form of agricultural areas extension should be encouraged.

Extension though “growth” can be obtained only by way of purchasing agricultural areas. Although the Constitutional Court cancelled the Resolution dated Oct. 2, 1996 and all restrictions pertaining to enforcing the rights on land ownership, the land market actually was not shaped yet. According to the information of the Ministry of Agriculture and Processing Industry, before Jan. 1, 1999 there were sold only: 411 land shares, with an area of 316,8 ha and 3189 adjacent land plots in a total area of 529,93 ha.

Peasant farm development though association is typical to all countries. This form can be implemented with us too. In the whole world farmers, household farms necessarily associate with a view to use more efficiently the production means, with view to process the raw materials, for haulage purposes, selling food staffs, rendering

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<sup>2</sup> See, for example Letiția Zahin. “Agricultura mondială și mecanismele peții”. București, 1993, p. 205. (“World Agriculture and Market Mechanisms”).

consulting services and many other purposes. The difference is, that those associations occur based on private ownership and benevolently. Nowadays it is crucially important to encourage and stimulate this model of peasant farm development.

Currently in the Republic of Moldova, the public authorities insistently propagate to form limited companies managed by so called “leaders”, whose roles are often played by former chairmen of collective-farms, directors or foremen. Unfortunately, this strenuous will, is promoted by the “Land” project. The conflicts that may emerge consequently are incommensurable with the intention to provide sufficient room for up-to-date technologies. This intention can be reached otherwise, than those contributing to undeserved enrichment of certain former managers.

### ***14.3. Regulations and considerations related to market relations mechanism***

Agrarian reform – as specified in the concept – can be carried out only provided market relations are developed, aimed at creating “an efficient mechanism for self-regulating the activity of economic units...”.

Formation of market relations means, first of all, creation of an efficient economic system, which ensures the freedom of the activity oriented towards the consumer.

Food products output has been and still remains the support of human being. Agricultural products are meant mainly for internal consumption. Food products consumption per capita in Moldova has an obvious shrinking trend, which is determined first of all by the purchasing power, which is determined by the incomes of each citizen, and first of all by labor remuneration.

**Table 4 *Labor remuneration and payment of pensions (as on Jun. 1), mil***

	1996	1997	1998	1999	1999 in % compared to 1996
Labor payment arrears:					
Including economic units from:	230,2	346,8	455,9	607,8	264,0
a) budget sphere	48,0	88,6	125,6	266,8	555,8
b) non-budget sphere	182,2	258,1	330,3	341,0	187,2
Amount of pension and indemnity arrears		174,1	290,0	372,0	213,7

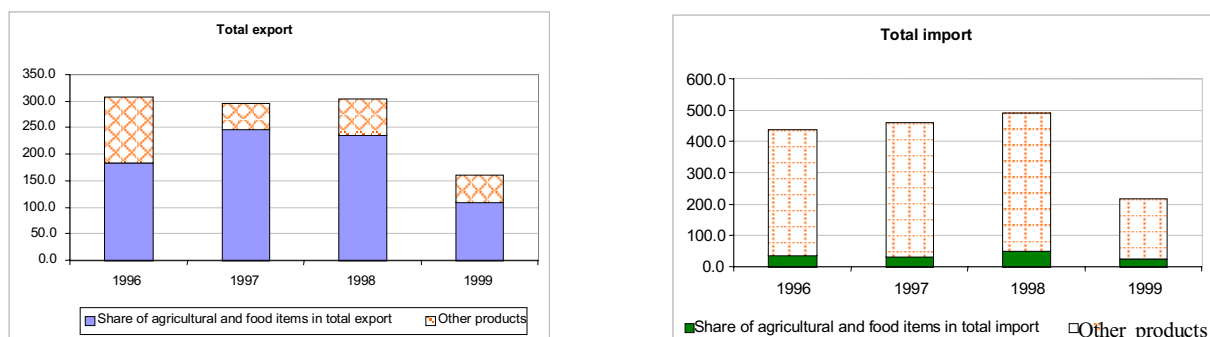
Source: Statistical Bulletin

Both salary and pension/indemnity arrears are growing fast, which considerably affects the demand. The lack of solvent demand impacts the sales of agricultural products and enhances malnutrition. The amount of calories consumed on daily basis per member of household have decreased from 3281 in 1980 to 2353 in 1994.

Traditionally, the agricultural products are an important item of Moldovan exports. Normally, food products are exported that exceed the needs of the country, although the comparison of production and domestic consumption does not obligatorily show the extent to which a certain country is contributing to shaping the

external food products market. Export volume can be considerable even then, when the domestic consumption is not duly provided.

**Figure 4** *Share of agri-food items within exports and imports, (January-May period)*



Source: Statistical bulletin

In 1999 both export and import, have shrunk considerably, although the share of agri-food items has not changed significantly.

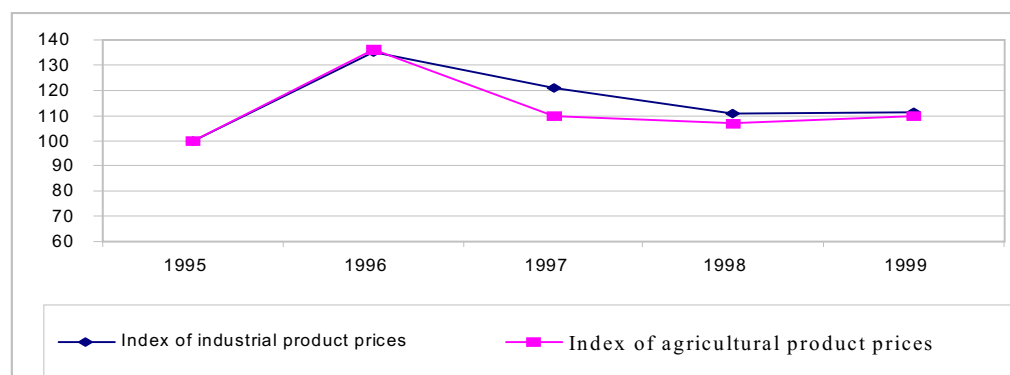
For a producer is important to provide for a categorical exceed of exports upon imports of agricultural & food items.

The strategy of food market formation should encourage the export of traditional food products, such as grapes and wine, fruits, vegetables and juices, tobacco and tobacco products. As for the others, the agriculture should meet the domestic requirements.

The fundamental instrument of regulating the market relations is pricing. Price liberalization from January 1992 has impacted agriculture very hard. For the beginning, we should remind, that being dependent of biological cycles the agriculture lost considerable financial sources as a result of 1991-1993 hyper-inflation.

The agriculture is incredibly suffering also due to discrepancy of prices, in terms of how much costs one to grow the harvest.

**Figure 5** *Evolution of price index in January-June*



Source: Statistical Bulletin

Most of agricultural products became unprofitable. Moreover, they cannot cover the production costs. Thus, according to the a study of the World Bank with the

joint effort of the Agency for Restructuring Agriculture<sup>3</sup> (ARA), in 1996 the prices of agricultural products as compared to production costs have accounted, per agricultural items, as follows: vegetables – 71%, fruits – 94%, dairy products – 61%, beef – 20%. Obviously, for some vegetal products this indicator is positive. For example, sun flower seeds – 115%, sugar beet – 111%. The changes in prices as compared to production costs have essentially impacted the changes of national agri-food items production.

The prices of the agricultural machinery, mostly of energy resources, continue to grow at fast speed, which will contribute to a continuous aggravation of the situation in the agri-foods sector. The situation was neither improved by the state guaranteed loans, issued traditionally by the Ministry of Finance to agricultural enterprises. In 1998 the profitable enterprises from agriculture accounted for only 12%, from the processing industry – 34%. The losses incurred by agriculture reached the amount of 817 mil lei and in the processing industry – 629 mil lei.

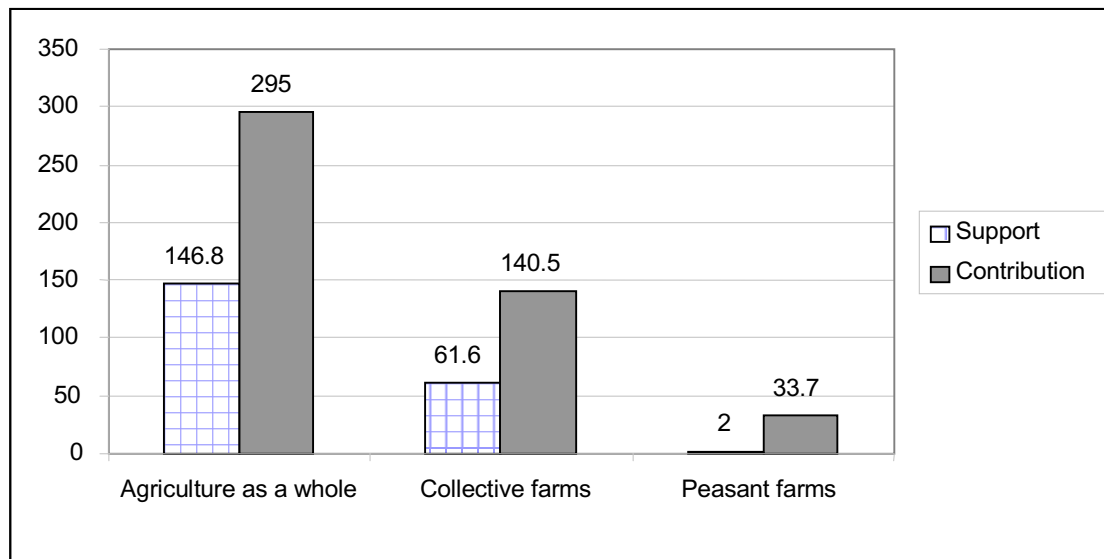
Public authorities might intervene by tax leverage and subventions. According to a study of taxes and subsidies to agriculture, carried out in 1998 by the ASA Institute for Analysis per Sectors and Policy Development, “on the one hand, the share of given sector contribution to state budget is lower than the share of agriculture in GDP, which proves a relatively low taxation. On the other hand, the tax burden is not equally balanced, particularly between peasant farms and other types of agricultural enterprises”. According to the data of the Fiscal Inspectorate, taxes collected from food and beverage industry enterprises in 1997 accounted for 85%, whereas those collected from agricultural enterprises were collected in volume of 48%. One of the reasons that lead to this situation, is the impossibility to cover the production costs. Due to losses incurred, the agricultural enterprises do not only fail to pay taxes, they accrue huge debts. The share of the agri-industrial sector in the overall arrears to the budget account for 60%, 48% of them being due from the agricultural sector. Nevertheless, some positive trends are profiling. According to the results of the study of taxation and subsidizing system in the Republic of Moldova, developed by ASA Institute for Sector Analysis experts (Germany), in joint cooperation with ARA “peasant farms pay almost 100% of taxes, whereas large farms pay less than 35%. Moreover, the agricultural farms also pay taxes mainly in kind, whereas the peasant farms pay their fiscal liabilities in cash”.

It is also significant the balance between the contributions to budget and state support to agriculture.

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<sup>3</sup> See Moldova: Current Agrarian Policy. Chişinău, 1998.

**Figure 6.** *Budget contributions and state support to agriculture, mil lei*



The support to collective farms accounts for 43,8% of their contributions to the budget, whereas support to peasant farms accounts for only 5,9% of their contributions. According to a Resolution of the National Public Authorities, the peasant farms were supposed to get from the budget 150 lei each. This amount, meant to private peasants support, has not been fully granted up to nowadays. Obviously, the financial support provided by the state to peasant farms is far from sufficient.

The main source of funding operations of economic units was and continues to be the sale of agricultural products, yet, a very important role is played by the agricultural credit.

From year to year the overall amount of commercial credits is growing. Based on the data from the National Bank, in 1996 the agri-industrial complex was provided 162 mil lei and accounted for 12% of the overall credits provided in the national economy; in 1997 this amount reached 27% of the overall.

According a study of the World Bank with contribution of ARA's contribution<sup>4</sup> "credits are targeted particularly towards processing industry and raw material suppliers. Commercial loans provided directly to agricultural enterprises do not exceed 120 mil lei, *i.e.* 8% of the overall amount...".

The main commercial creditor of the agricultural sector continues to be "Agroindbank". In loaning the peasant farms has actively got involved the Association for Lending and Savings (ALS). The initial sources for commencing the activity have been offered by the Corporation for Rural Financing. According to the report of the Ministry of Agriculture and Processing Industry as on June 1, 1999, about 11 mil lei financial means were recorded as loaned, at an interest rate of 25% for 1-1.5 years. Emergence on financial market of some financial sources made some banks review their interest rate policies. For example, Agroindbank adhered to this project offering about 8 mil lei at the same interest rate of 24-25% for the same 1-1.5 year term.

One of key barriers, hardly avoidable, in using the commercial credit by peasants, and particularly, by the peasant farms is lack of material assets eligible for

<sup>4</sup> See Moldova: Current Agrarian Policy, Chişinău, 1998, p. 32-34.

mortgage. Although land can be mortgaged, only 70 ha of agricultural areas are mortgaged at “Agroindbank”.

Low level of loans provided by the commercial banks are explained by the high rate of interests. It is crucially important to take into consideration the biological cycles from agriculture, making difference between the interest rate level, depending on the speed of the cash turnover.

#### **14.4. Conclusions**

The main idea is that the agrarian reform, launched as a present time imperative is irreversible. Number of individuals wishing to become owners in agriculture exceeded 43%.

The strategic fundamental objective of the reform continues to stall off the decline, remove the disbalance between supply and demand of food items, to resolve the problem of food security.

The agrarian reform has some speeds. Each element of the reformation system has its own speed, which contributed to contradictions and discrepancies.

- At highest speed, although insufficient, is running the land reform. The number of individuals who claimed their land shares in kind increased from 161 thou in 1996 to 437 thou in 1999, which accounts for 271%. The resistance is shrinking on behalf of authorities, which is confirmed through growing share of applications met, from 70% in 1996 to 84% in 1999. A considerable contribution to urging the distribution of land titles was made by the “Land” project, funded by the US Government; in the framework of that 78% of the total authenticated titles were distributed;
- Distribution of property to peasants, which actually belongs to them, runs slower. Number of individuals who received property certificates grew from 460 thou in 1996 to 672 thou in 1999, or only 1,4-fold. The number of peasants who attained property certificates is far too less than modest. On the 1<sup>st</sup> of April 53 thou individuals did not know the size of shares they were due from the property of the agricultural enterprises. Actually none of the peasants knew his/her share from the property of the processing enterprises.
- Extremely slowly are developing the juridical-organizational forms of the agricultural companies. Individuals who want to set up their own (family based) peasant farms, are compelled to go through considerable trials. By July 1 this year, only 40% of the number of citizens who were attributed land shares set up and registered 99 thou peasant farms. Farmers’ association and cooperation, that is unavoidable for efficient usage of both natural material and human resources, runs paradoxically. As regards incorporation and consolidation of agricultural companies there is an unbelievable chaos.
- Much lower, as compared to agrarian reforms components enumerated above, is the pace of forming mechanisms that would regulate the exchange of food products, the pace of forming mechanisms specific to market economy.

The fundamental instrument of regulating the market relations is pricing. The agriculture suffers incredibly from the discrepancy of price and what the inputs are to grow something and produce as final agricultural products. Consequently, the peasants cannot cover the production costs. In 1996 the prices of the producers versus production costs were worth 94% for fruits, 71% - for vegetables, for dairy products – 61% and for meat – 20%.

In 1998 the agricultural profitable enterprises accounted for only 12%. Prices for agricultural machines, chemical products, fertilizers and particularly power sources continue to fall fast, which will aggravate the state of the agri-food sector even more.

The state and public authorities might intervene through tax and subsidy leverages. In reality agriculture, particularly the private sector, it is more subjected to embezzlements than it is allocated to. Support to agricultural enterprises was worth 43,8%, whereas to peasant farms – only 5,9% of their contribution to the budget.

The loans provided to agri-industrial complex make up less than one third of the total amount canalized to national economy; commercial loans granted directly to agricultural enterprises do not exceed 8% of the amount of credits provided to the agri-food sector, and when establishing the interest rate it is not taken into account the specific biological cycles in agriculture.

In the system of agrarian reform, at slowest pace runs training, improvement of staff involved in the agri-food sector and investigations, which aggregately make up actually the key element of the agrarian reform, agricultural modernization, insuring balanced changes within the relationship – labor-land-capital.

The specialized institutions and numerous projects run their activities based on programs that are poorly correlated and almost unsatisfactorily adjusted to market relations. In a catastrophic state are the scientific research institutions.

The agrarian reform has the target to insure the social and economic protection of the peasants and is targeted to growing efficiency of this sector of the national economy.

The volume of agricultural products, although oscillated from year to year, has a clear tendency to downsizing at the former agricultural enterprises that existed, and a yearly constant growth in the households and peasant farms.

The owner-peasants are affected less by poverty. If the average monthly wage in 1996 in agriculture reached the amount of 121.5 lei, the monthly income of the private farmers per capita made up 300 lei.

Unfortunately, the realities of social and cultural development of the country side from Moldova are pitiful. Transfer of responsibilities for granting social services and supporting the respective infrastructure from agricultural farmers to mayoralities did not take place. Consequently, neither the employees of the agricultural enterprises nor owner-peasants do not benefit of any social and cultural goods.

In order to orient the behavior of the agri-food sector, to channel the agricultural and processing industry reform process on the right path, in order to justify the researches aimed at insuring the scientific support of the agrarian reform, it is necessary to monitor all components of such complicated process as the reform of agri-food sector.

Finally, one can state the need to harmonize the elements of the agrarian reform and large scale implementation of general interaction possibilities of the components of the agri-food sector, such as:

- Pushing the process of modifying of the property structure as factor of extending responsibilities and promoting competition;
- Formation and consolidation of peasant farmers, based on family composition and their cooperation and consolidation with a view to use efficiently natural, human and material resources;
- Developing market institutions in agriculture, adjusting the fiscal system, insuring the access to loans, subsidizing agriculture, resolving the social problems of the country side.

An imperative became working out a strategy on developing the national agri-industrial complex and strategies for judeteses (counties) development.



## ***RESEARCH TEAM***

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